Bloomberg Businessweek

March 14, 2022

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Putin's Endgame

He was denied an easy victory. He may settle instead for reducing Ukraine to rubble 8

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OCEANA Protecting the World’s Oceans

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◀ The ouster of longtime equestrian trainers prompted a backlash against the nonprofit set up to stop sexual abuse in Olympic sports

PHOTOGRAPH BY MOLLY PETERS FOR BLOOMBERG BUSINESSWEEK

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How to Contact *Bloomberg Businessweek*
EDITORIAL 212 617-8120 ● AD SALES 212 617-2900, 731 Lexington Ave. New York, NY 10022 ● EMAIL bwreader@bloomberg.net ● FAX 212 617-9065 ● SUBSCRIPTION CUSTOMER SERVICE URL businessweekmag.com/service ● REPRINTS/PERMISSIONS 800 290-5460 x100 or email businessweekreprints@theygsgroup.com ● Letters to the Editor can be sent by email, fax, or regular mail. They should include the sender's address, phone number(s), and email address if available. Connections with the subject of the letter should be disclosed. We reserve the right to edit for sense, style, and space ● Follow us on social media ▶ FACEBOOK facebook.com/bloombergbusinessweek/ ▶TWITTER @BW ▶ INSTAGRAM @businessweek

■ COVER TRAIL

How the cover gets made

❶

"The war in Ukraine is getting worse by the day. We have a story about how Putin's endgame might become bombing the country until there's nothing left but rubble."

"So, like he did in Chechnya…and Syria…and—"

"Different but, kind of, effectively, yes."

"Feels like we should just be as direct as possible."

"Agreed."

Bloomberg Businessweek

Cover: Photograph by Maksim Levin/REUTERS

SOLUTIONS: PHOTOGRAPH BY TIM TAI FOR BLOOMBERG BUSINESSWEEK

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■ IN BRIEF

By Mark Leydorf

● Worldwide coronavirus cases have passed 450 million, more than

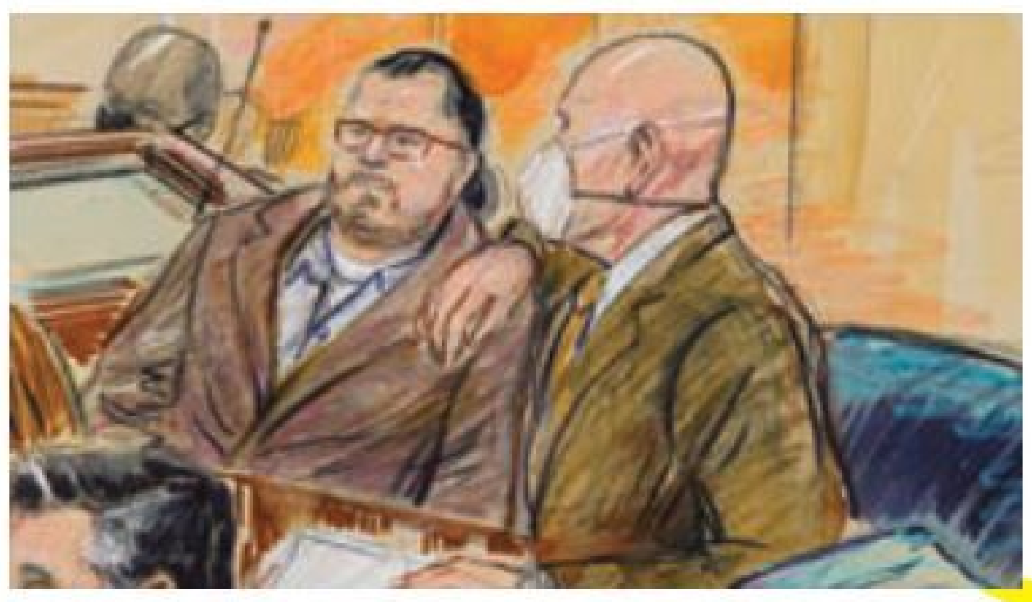
6m

people have died, and almost 11 billion vaccine doses have been given. Puerto Rico is dropping most of its Covid-19 rules, which are among the strictest in the U.S. The territory has one of the highest vaccination rates in the country.

● The price of nickel briefly topped $100,000 a ton on March 7.

The spike may have resulted from a "short squeeze" as investors betting against the metal sought to close their positions. Xiang Guangda, whose Tsingshan Holding had amassed a short position of 100,000 tons, may be facing steep losses. Nickel traded at $25,000 a ton as recently as February.

● Guy Reffitt, the first person to go on trial for his participation in the Jan. 6 insurrection, was convicted on all five counts brought against him, including obstructing Congress. The Texas man, a member of the Three Percenters militia group, was turned in by his teenage son.



● Coca-Cola and Pepsi have joined the exodus of "self-sanctioning" businesses leaving Russia. According to Yale professor Jeffrey Sonnenfeld, who's keeping a running tally, more than 300 companies have cut ties with the country or are reviewing operations there, including:

Accenture
Adidas
Airbnb
Airbus
Alcoa
Allianz
Alphabet
Amazon.com
AMD
Anheuser-Busch
Apple
Aston Martin
Autodesk
Bain
Bank of China
BASF
BBC
Bentley
BlackRock
BNP Paribas
Boeing
Bombardier
BP
Burberry
Carlsberg
Carnival
CBRE
Chanel
Cisco
Coinbase
Credit Suisse
Danone
Dassault
Dell
Deloitte
DHL
Diageo
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Nintendo
Nokia
Norsk Hydro
Oracle
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Subaru
Swarovski
TikTok
Total
Toyota
Twitter
Uber
Under Armour
Universal
UPS
Visa
Volkswagen
Volvo
WarnerMedia
YouTube
Yum! Brands

● Oil continued its wild ride—West Texas crude reached almost $124 a barrel on March 8 before dropping again, to about $109, on March 9. Drivers are feeling the pain: AAA says the average U.S. price of a gallon of gas hit a record high on March 8 of

$4.17

● U.S. consumers aren't that stressed about the steep cost of fuel, though. A poll from Quinnipiac on March 7 found that the share of Americans who supported banning Russian oil, even if it meant prices would go higher, was

71%

Just the same, President Joe Biden has been taking extreme measures to keep oil flowing—even initiating controversial diplomatic overtures to Iran and Venezuela. Temporarily setting aside long-standing disagreements with the oil producers may help the EU, U.K., and U.S. say no to Russian oil and gas.

● The Biden administration reinstated California's authority to impose its own pollution limits on cars.

The EPA issued a waiver that reauthorizes the state's curbs on greenhouse gas emissions from tailpipes and its requirement that a share of vehicles sold be zero-emission models. The agency also is withdrawing a Trump-era policy that blocked other states from adopting California's requirements.

● "The United States is targeting the main artery of Russia's economy. We will not be part of subsidizing Putin's war."

President Biden announced on March 8 that the U.S. would ban imports of Russian crude oil and other petroleum products, which made up about 8% of 2021 oil imports.

● The Smithsonian is sending Nigeria 39 bronzes linked to an 1897 British raid. The priceless pieces, some of which had been on view at the National Museum of African Art, will go to the Benin City National Museum.

NICKEL: GETTY IMAGES. REFFITT: DANA VERKOUTEREN/AP. BIDEN: NICHOLAS KAMM/GETTY IMAGES. BRONZE: COURTESY SMITHSONIAN

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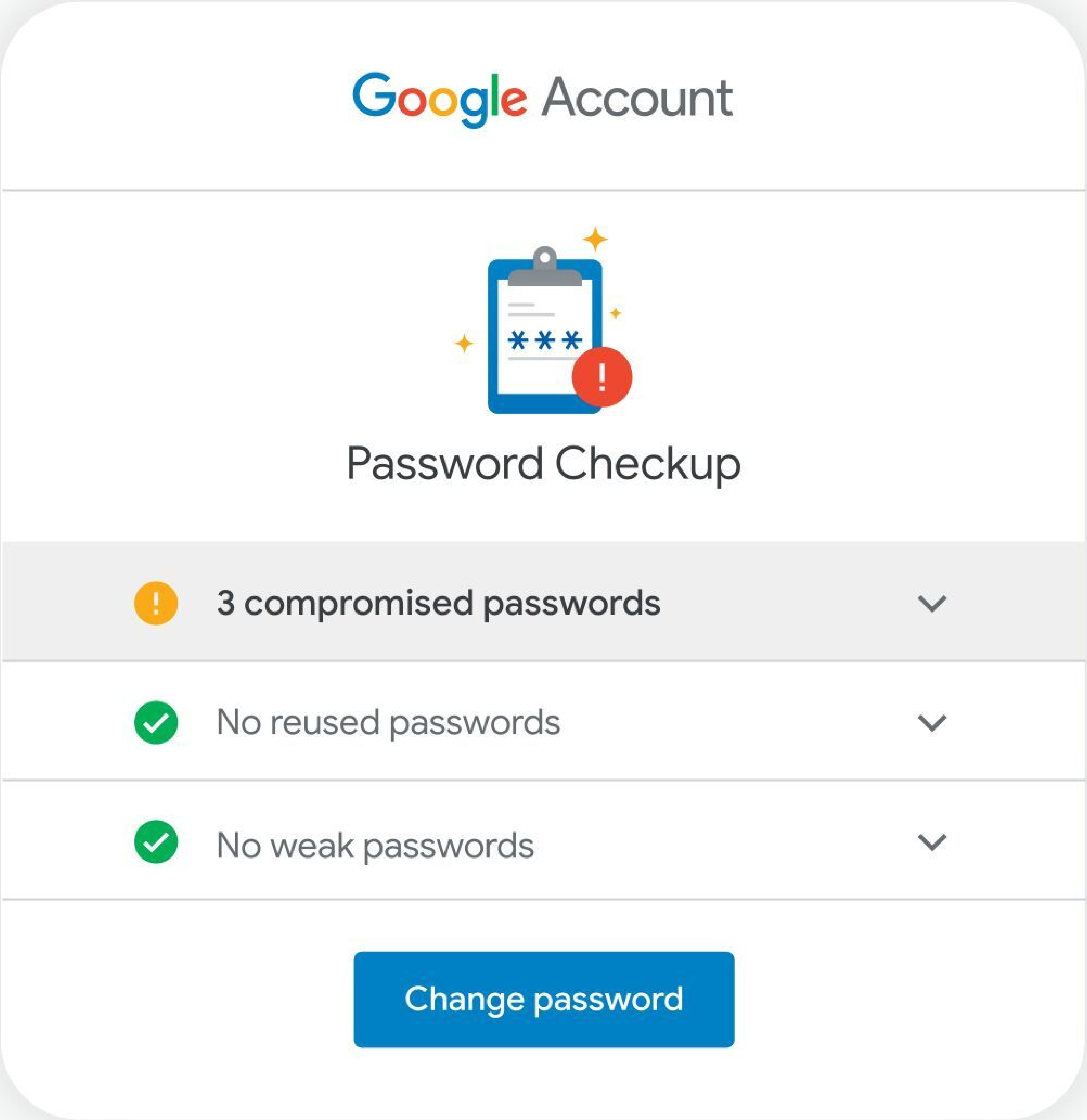

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Hitting Putin With Energy Sanctions Won't Be Easy

President Joe Biden's announcement on March 8 that the U.S. will ban imports of Russian fossil fuels significantly escalates the response to Vladimir Putin's unprovoked war on Ukraine. The move is warranted. The U.S. and its allies should do all they can to pile on the economic pressure—and the biggest weakness in their sanctions policy so far has been the failure to stop the flow of hard currency in payment for Russian energy.

Acting by itself, though, the U.S. can do only so much. Unlike many of its European allies, it doesn't buy a lot of energy from Russia. Throttling Russian fossil fuel exports means Europe must curb demand and find alternative supplies—a difficult step, but a necessary one if the new restrictions are going to have their intended effect.

The current sanctions are indeed exacting a heavy toll. The U.S. and Europe came together and, in just a few days, devised by far the most potent financial measures ever applied to a major economy. The ruble has crashed, and Russia's financial system has all but shut down. Moscow is resorting to capital controls and other repressive measures to contain the damage. Putin might be calculating that these costs are endurable, at least for a time, but the expected flow of hard currency in exchange for energy is a crucial part of his calculations.

Deploying this further sanction won't be straightforward. Biden's announcement pushed energy prices even higher, adding to the Federal Reserve's challenge in controlling inflation. The European Union's predicament is far worse, with about 20% of its power coming from gas and roughly 40% of that imported from Russia. Germany is especially dependent. Although the U.K. promised to follow the U.S.'s lead in banning Russian oil, it will continue to buy gas and coal. Europe's other governments are looking at ways to cut their imports.

Where possible, these plans should be accelerated. Above all, though, they need to be coordinated. The market for energy is global. If one country reduces its imports from Russia without reducing its demand for energy or boosting its own production, the move might serve little purpose: The disruption caused by switching suppliers will impose costs on the importer, the global balance of demand and supply won't change, and Russia will sell its energy elsewhere.

There's a further complication: Spontaneous "self-sanctioning" is already under way. Energy buyers and intermediaries are shunning Russian exports because of heightened financial risk, uncertainty over what sanctions might require, possible harm to their reputation, and, no doubt, simple disgust at Russia's conduct. This helps explain why prices have risen so sharply, underlining policymakers' dilemma.

To ensure that energy sanctions are effective, the U.S. and its friends need to work together. The rise in energy costs, so long as it doesn't get out of hand, will help by reducing demand and calling forth new supply. Governments should do all they can to strengthen both channels—in the short term with coordinated releases of oil stocks and ramped-up oil and gas production, and in the medium term with extra public investment in energy efficiency and faster deployment of renewables. Where possible, nuclear plants should be kept running, not shut down. Existing energy infrastructure should be adapted and new infrastructure planned so demand can be shifted more readily away from Russia.

The U.S. was in a position to act quickly and was right to. For many of its allies, an immediate ban on Russian energy imports would be impossibly disruptive. But planning to reduce and then eliminate their dependence is feasible. A credible commitment to do so would set Putin back as little else would.

For more commentary, go to bloomberg.com/opinion

■ AGENDA

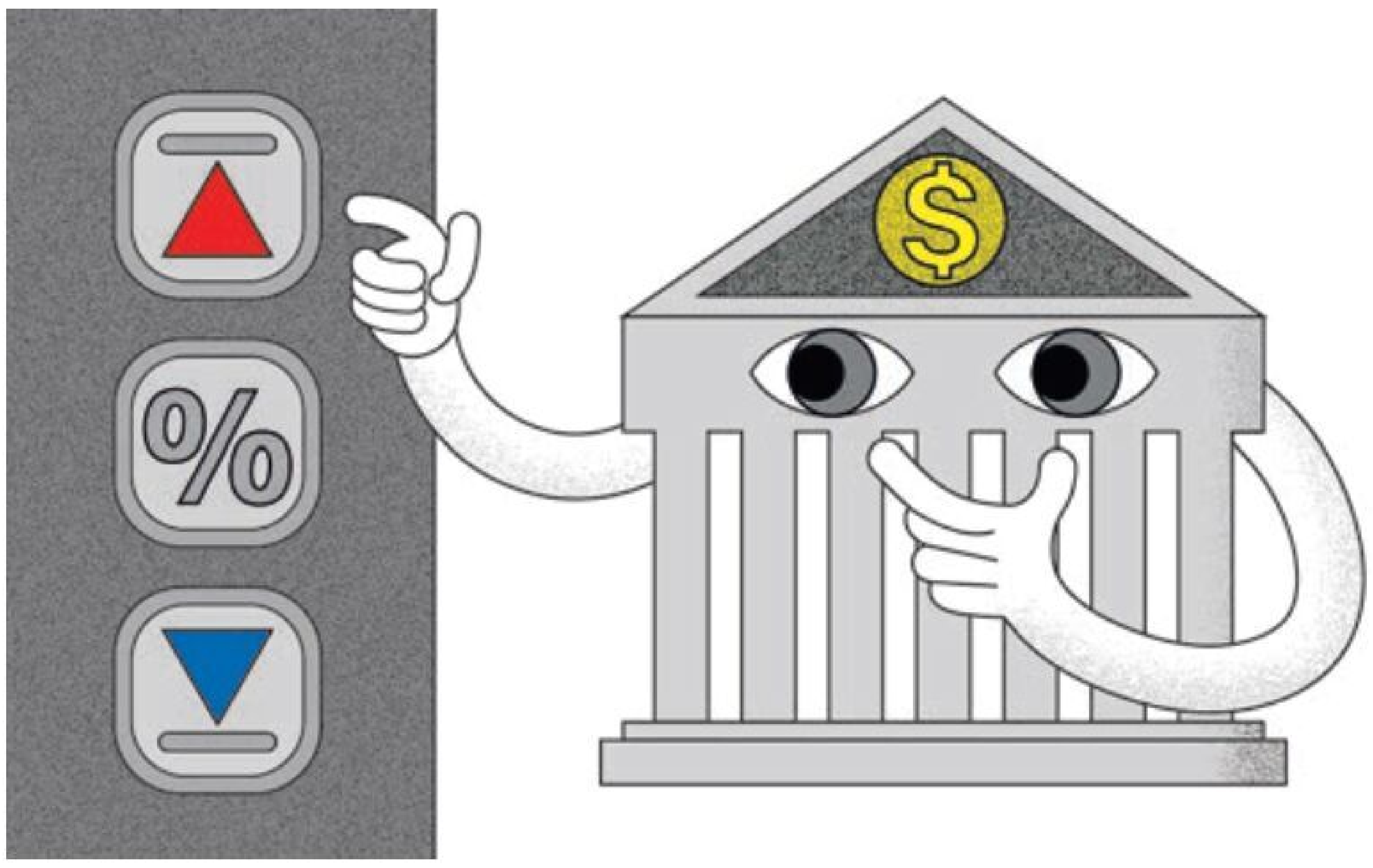

ILLUSTRATION BY JIYUN JEONG

► Going Up

At its March 15-16 meeting, the Federal Reserve will begin raising interest rates to restrain U.S. inflation. Chair Jerome Powell has said he supports a quarter-point increase, despite the uncertainty caused by Russia's invasion. ▷ 26

► The Bank of England releases its interest rate decision on March 17. When it raised rates in February, the central bank signaled further tightening could be appropriate.

► The Bank of Japan meets to decide its position on interest rates on March 17. Forecasters expect it to leave rates unchanged at −0.1%.

► France reports its latest inflation numbers on March 15. Analysts anticipate it will ease somewhat from February's rate of 3.6%, the highest it's been since 2008.

► The 66th session of the Commission on the Status of Women, focused on achieving gender equality through empowerment, takes place March 14-25 in a hybrid format at the UN.

► Christie's Asian Art Week returns to New York on March 15, with a series of auctions, online sales, and special events dedicated to artists from East, South, and Southeast Asia.

► The first rounds of the NCAA's March Madness basketball tournaments begin on March 15 for men's teams and on March 16 for women's teams.

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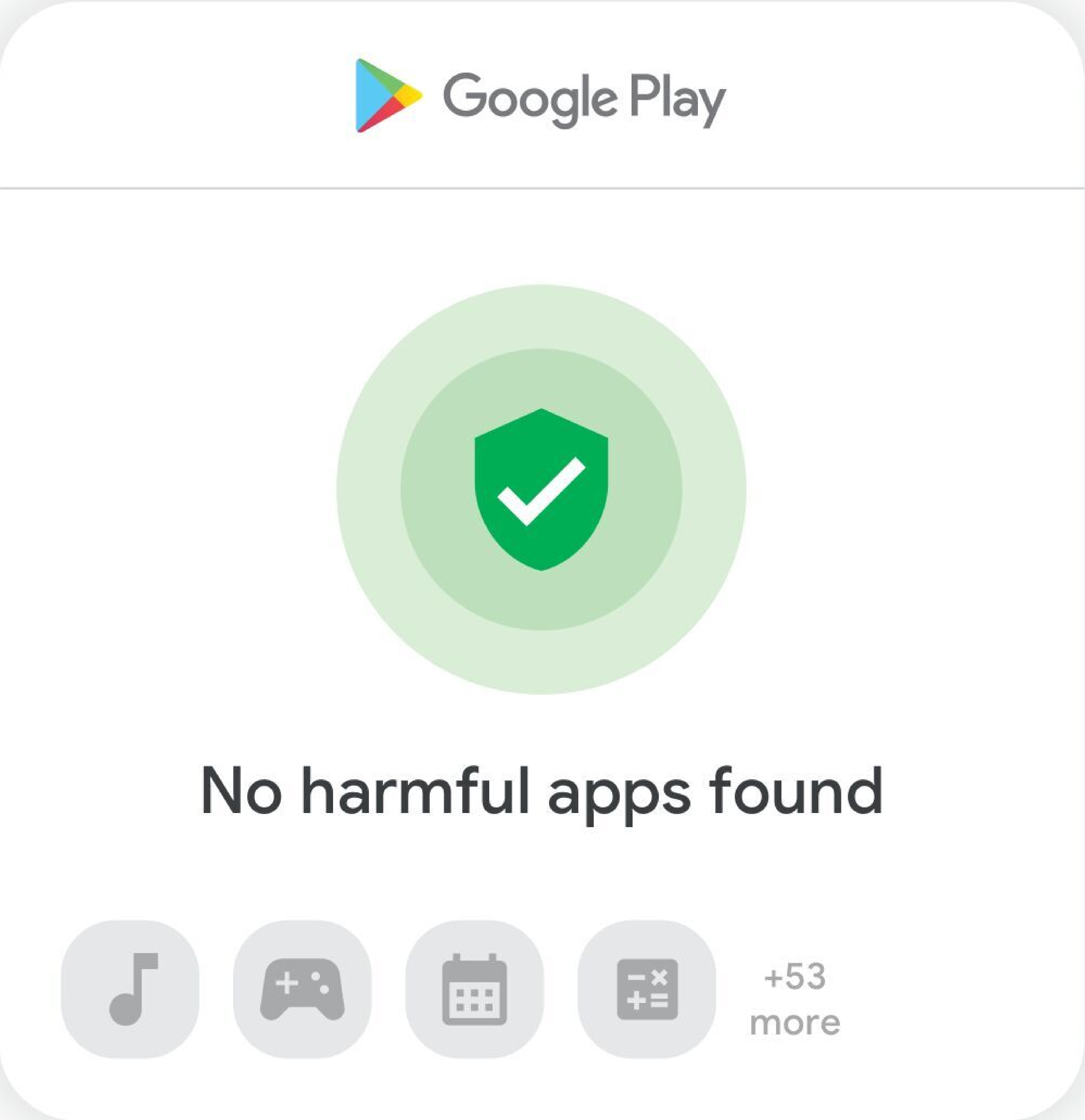

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Putin's Endgame? Ukraine in Ruins

● He may have envisioned an easy victory, as in Crimea. Instead he got Chechnya

● By Marc Champion

▲ From top: Abkhazia, 1993; Chechnya, 1995 and 1999; Syria, 2018

FROM TOP: JON JONES/SYGMA/GETTY IMAGES. ALEXANDER NEMENOV/AFP/GETTY IMAGES. ANTOINE GYORI/SYGMA/GETTY IMAGES. OMAR HAJ KADOUR/AFP/GETTY IMAGES

Watching Russia's military machine grind a gruesome path through Ukraine, it's impossible not to feel you've seen this tragedy before. The artillery volleys slamming into apartment blocks, the firing on evacuation corridors, and even the disorganization and hubris of the attack are all familiar scenes from Chechnya, Georgia, or Syria. Whatever the location, the ending has been the same: cities reduced to rubble.

President Vladimir Putin's war in Ukraine is barely two weeks old, but this time it's starting to look like an act of retribution that has no obviously achievable endgame. As Russia's generals shift to ever-more-brutal tactics, it isn't clear how Putin can marry Ukraine's devastation with the goals he's set out: namely, to create a neighbor that's no longer "anti-Russian" and, in the process, to change Europe's post-Cold War security order in Moscow's favor.

None of that's happening, because Putin got Ukraine spectacularly wrong. His view of it as a kind of Frankenstein state stitched together by Soviet leaders that would at least accept, if not welcome, Russian troops has proved a staggering miscalculation. Hundreds of lightly protected Russian soldiers paid for that error with their lives in the early days of the Kremlin's wishfully named "special military operation."

"They wanted Crimea 2014, but they got Chechnya 1994," says Caucasus scholar Thomas de Waal, contrasting Russia's near-bloodless annexation of Ukraine's Crimea peninsula with the first of two brutal wars to crush a bid for independence by the Russian republic of Chechnya. Plausible civilian casualty estimates for those conflicts start at about 50,000, among a population 30 times smaller than Ukraine's. The capital, Grozny, was left a ruin.

As Putin and his generals try to bolt their political aims onto a new military strategy, they have plenty of experience to draw on. When the fighting in Chechnya ended, Putin installed a warlord as president—the father of incumbent Ramzan Kadyrov—granting them wide autonomy to rule Chechens as they saw fit. The Kremlin poured money into Grozny's reconstruction. Units of the Chechen leader's private militia, the "Kadyrovtsy," have been fighting near Kyiv, according to Ukraine's armed forces.

Yet it's hard to see how that model can be transposed from the North Caucasus. For one thing, Ukraine is so much larger that no one warlord or militia could control it. Plus, whereas most of Russia's electorate had little love for the Muslim Chechens, Putin for years has been preaching that Ukrainians are, in reality, Russians, and that Kyiv is the medieval wellspring of Russian history and culture.

A brief, bloodless, and victorious operation to take control would surely have been popular back home. A war to "Groznify" Kyiv—should that grim reality come to pass and pierce Russia's domestic propaganda fog—might not be, especially if the price is years of international isolation. At this point, says Michael Kofman, a specialist on the Russian armed forces at the Washington security think tank CNA, "However long this war progresses, they cannot achieve their political objectives."

Finding a Ukrainian Kadyrov would be tough, too. That was the problem Russia faced after the first Chechen war. Russia's attack, as is happening now in Ukraine, rallied the population around a leader whose popularity had been flagging, says de Waal, a London-based senior fellow at think tank Carnegie Europe.

It took a second war in 1999-2000 and the arrival of radical Islamists before enough Chechens were willing to accept such a deal with Moscow. But the terrorist threat, to Chechens and Russians alike, was real. Putin's portrayal of Ukraine's leadership as a fascist junta is fantasy. President Volodymyr Zelenskiy, Jewish by heritage, is a newly minted national hero. "Where would they get the quisling government to run this state, this new Ukraine that is not anti-Russia, that Putin wants?" de Waal says. "Where will you find those people, in a country that's become united against Russia?"

Syria offers a second model. Putin intervened militarily in 2015 to rescue President Bashar al-Assad and his mainly Alawite minority regime while securing Russia's only naval base on the Mediterranean Sea. That strategy, again, involved having opposition strongholds, such as Aleppo, bombed into dust in the name of eradicating Islamic State militants.

Assad was left in charge of a more politically manageable state after more of Syria's Sunni Arab majority fled as a result. Of Syria's 21 million population before the conflict began in 2011, 6.7 million remain refugees abroad, according to the United Nations refugee agency UNHCR. More than 2 million people have already left Ukraine, the UN says.

Russia's policy in the Georgian enclave of Abkhazia offers another model of demographic engineering. Almost half of Abkhazia's population were ethnic Georgians, before they were driven out in a 1993 war. The vast majority remain refugees almost 30 years later, blocked from return. That's allowed the once-minority Abkhaz to rule over partial ghost towns under Russian protection. In 2008, Putin recognized Abkhazia as an independent state, as he did for Ukraine's Donbas region last month. It's hard to imagine enough of Ukraine's 41 million people leaving to make that work.

The aim in Ukraine, according to a Russian official who spoke to Bloomberg News in the early days of the conflict, was to install a friendly government in Kyiv, carve away parts of the existing state, and create a rump Ukraine that would have a strong police force but no military. The new country would be integrated into Russian air defense systems and host Russian troops. That would make it a second Belarus, Kyiv's dictatorship next door.

Germany tried something similar in France during World War II, dividing the country into a cooperative Vichy France and an occupied sector. So did France under Napoleon Bonaparte, who sent family members accompanied by large French garrison forces to run the countries he conquered. But both struggled with partisan resistance, and neither succeeded for long, according to Keith McLay, a professor and historian of war at the U.K.'s University of Derby. "I really don't think there is an obvious, successful historical model that is 'obliterate and continue,' " he says.

After Russia's brutal wins in Chechnya, Georgia, and Syria, Putin may disagree. But if he pulls it off in a country the size of Ukraine, the costs could reduce Putin's ambitions to rubble, too. On March 7 in a Reuters interview, his spokesman Dmitry Peskov appeared to slightly lower Russian conditions for ending the invasion, from regime change in Ukraine to its neutrality, plus recognition of Crimea as Russian and of the Donbas territories as independent—all of which could have been demanded from a new, Moscow-loyal government.

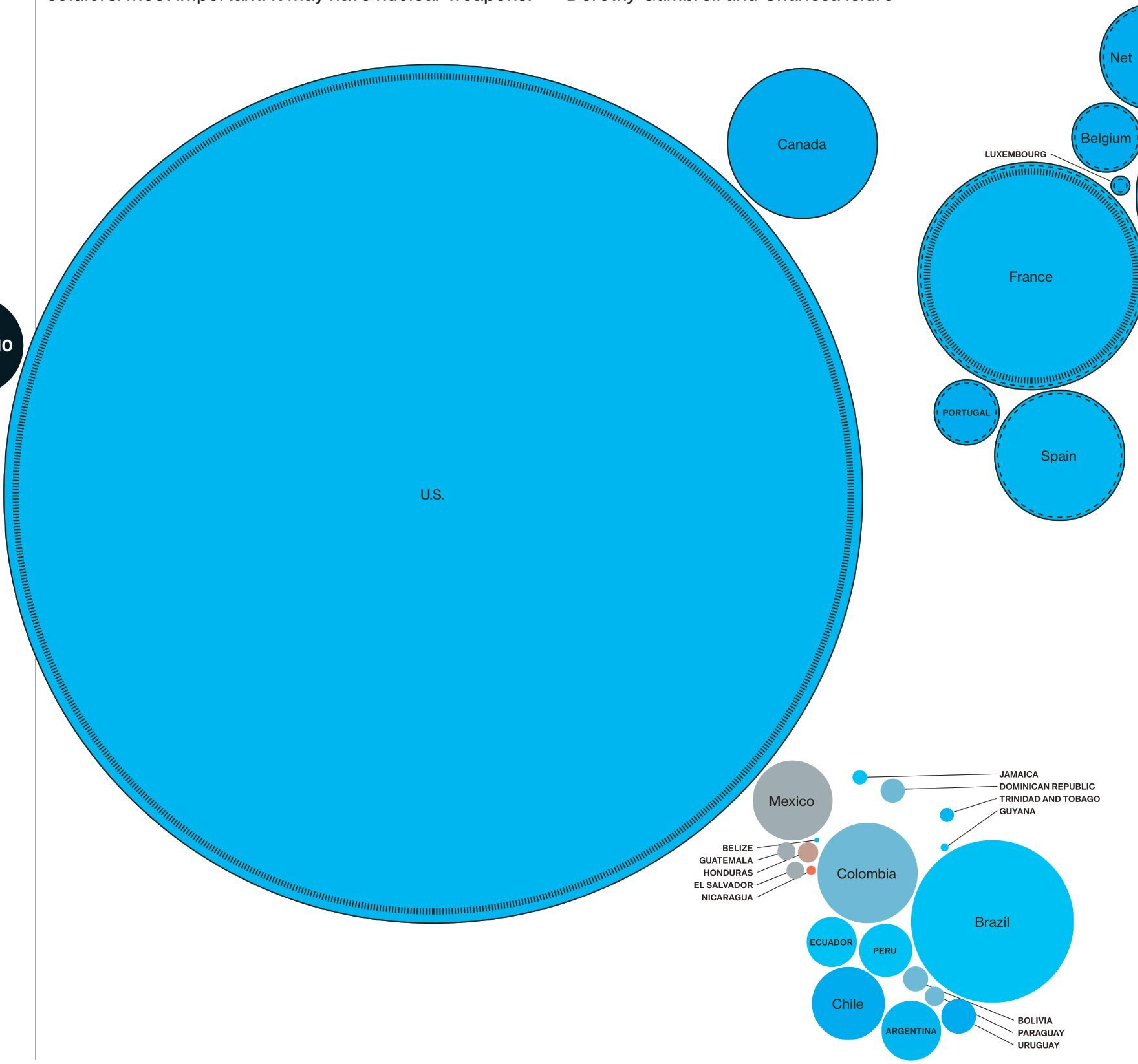
"Anything is on the table at this point, but if strategically his goal is to have another puppet regime like in Belarus, even if he can put one in place in Ukraine, there will be uprisings," says Mai'a Cross, a professor of political science and international affairs at Northeastern University. "I don't think he walks away with a win, because in a way he has already lost."

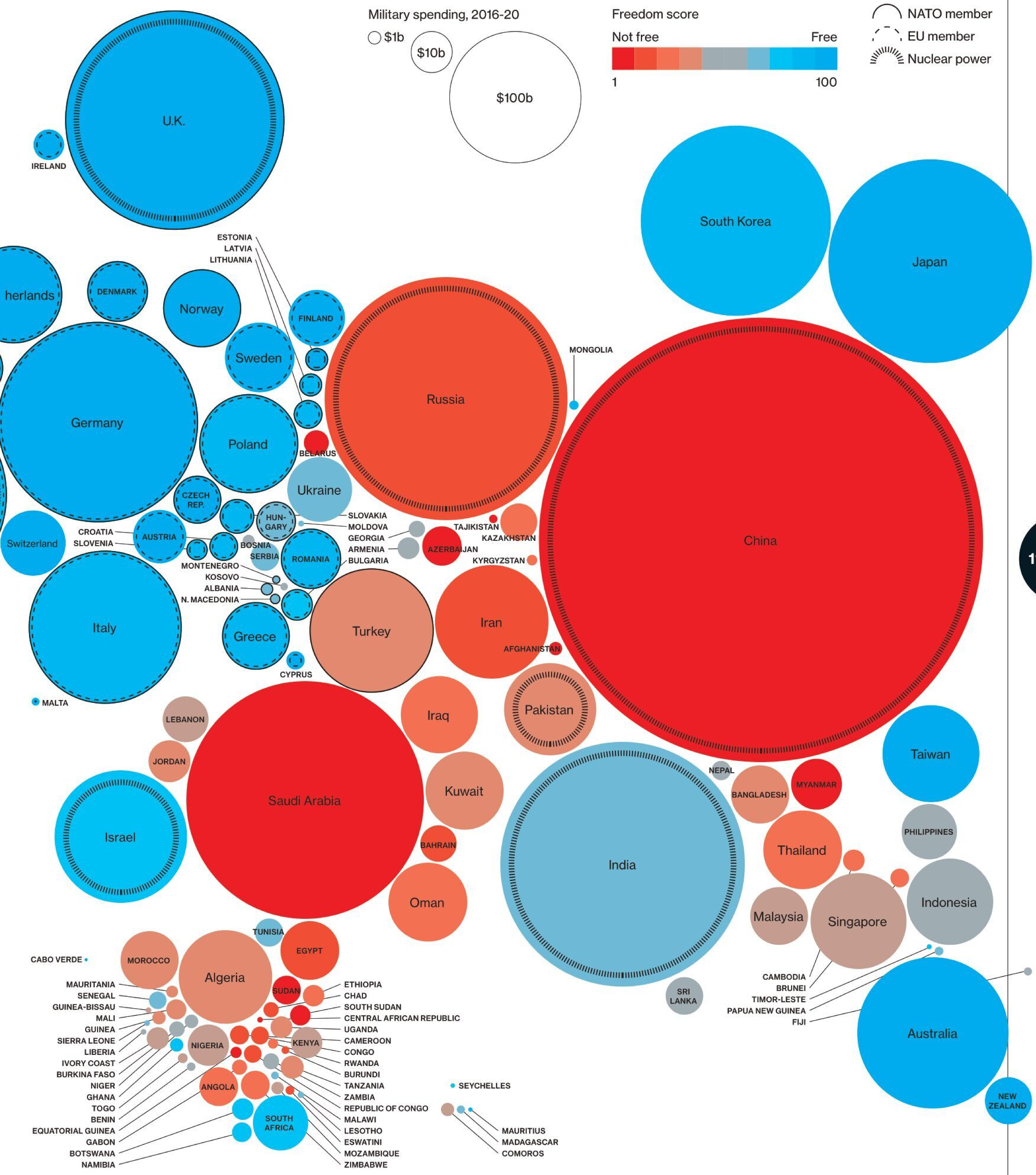
Putin's wider aim of weakening NATO and dividing Europe also has backfired, says Cross. Germany has been pushed to upend decades of military reticence and increase defense spending by €100 billion ($109 billion). NATO is sending more troops to its eastern borders. The European Union is considering membership for Ukraine—unimaginable just weeks ago. Even Hungarian Prime Minister Viktor Orban, a vocal admirer of the Russian president, backed EU sanctions.

Still, Putin committed the largest military offensive in Europe since 1945, and he's unlikely to admit defeat just a week or two into a campaign that he can still hope his better-equipped forces will win. The grim news for Ukrainians is that he's been doubling down, pounding their cities and raising the alert status of his nuclear forces in the biggest gamble, by far, of his decades in the Kremlin. Ⓑ

A World at Arms

● Russia's invasion of Ukraine has suddenly created a tense superpower conflict—something that seemed to be part of the past. When President Joe Biden entered office last year, his main strategic focus was China, which is second only to the U.S. in military spending but is also a rival for economic influence and soft power. The escalating war in Ukraine has brought the world's focus back to the size of nations' arsenals. The circles on this chart represent each country's military spending over five years; the color indicates its level of political rights and civil liberties according to the nonprofit research group Freedom House. Spending measured in U.S. dollars doesn't perfectly capture the resources a country can bring to war—for example, it might be able to manufacture arms more cheaply or conscript soldiers. Most important: It may have nuclear weapons. ——*Dorothy Gambrell and Charissa Isidro*





MILITARY SPENDING IN CONSTANT 2019 DOLLARS. EQUATORIAL GUINEA, SOUTH SUDAN, AND ZIMBABWE SPENDING IS FROM 2015-19. COUNTRIES WITH SPENDING BELOW $1M OR UNAVAILABLE DATA ARE NOT SHOWN.
DATA: STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE, FREEDOM HOUSE, NATO, EUROPEAN UNION, FEDERATION OF AMERICAN SCIENTISTS

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● With little chance of a rich offer, exiting Russia could cost BP its entire investment

On Feb. 8, after delivering the highest quarterly profit in a decade, BP Plc Chief Executive Officer Bernard Looney offered a strong defense of the company's deep ties with Russia's largest oil producer. Russian tanks had not yet crossed into Ukraine, but with 130,000 troops at the country's borders, tensions were quickly rising, and BP's 20% stake in Kremlin-backed Rosneft PJSC meant the London-based oil giant had a lot at stake.

Wearing a V-neck sweater, plain white shirt, and no tie, Looney in a television interview offered a simple rationale for continuing operations in Russia: "Our job is to focus on the business of business. We avoid the politics."

A little more than two weeks later, the politics became unavoidable. And as the reality of Russia's unprovoked invasion in the early hours of Feb. 24 sunk in, BP executives quickly realized they needed to end the company's relationship with Rosneft, the fruit of 30 years of investment in Russia.

The day after the invasion, BP's board gathered—some in person, some virtually—at its London headquarters. At 5 p.m. executives including Looney dialed into an emergency meeting with U.K. Business Secretary Kwasi Kwarteng, who made it clear that the government wanted them to end the Rosneft relationship.

"The world tends to look very different after one has an invasion of a neighboring country," says Jonathan Elkind, a senior research scholar at the Center on Global Energy Policy and a former official in the U.S. Department of Energy.

The board met again on Sunday, Feb. 27, and agreed that Looney and former BP head Bob Dudley would resign from Rosneft's board. BP would exit its stake in the company and all other ventures in Russia. After informing Rosneft's leadership, it made the decision public.

The cost to BP shareholders? About $25 billion, more than a quarter of the company's market

Edited by James E. Ellis

PHOTO ILLUSTRATION BY 731; PHOTO: GETTY IMAGES; DATA: COMPANY FILINGS

value. With little prospect of finding a buyer or getting the Kremlin to pay for the shares, BP was forced to acknowledge it was likely to lose the whole value of its investment.

"Anyway you look at it, it's not good," says James Henderson, who heads energy transition research for the Oxford Institute for Energy Studies and is the author of an upcoming book on the history of Rosneft. He agrees that there's very little chance of BP finding a route to getting its money back.

BP's abrupt decision started a wave of energy companies leaving Russia. In the oil and gas world, Shell Plc and Norway's Equinor ASA were next, followed by Exxon Mobil Corp. A day later, France's TotalEnergies SE was more equivocal, saying it wouldn't provide capital for new developments; it ultimately stuck to its investments.

Beyond energy, the list of companies severing ties or suspending business activities has grown, including the likes of Apple, Harley-Davidson, and Mastercard.

Industry observers say the move was more than a public-relations gesture. "That's pretty damn expensive virtue-signaling," Elkind says. "The reality here is that government decision-makers and business executives alike have had to confront the really unwelcome reality that Russia's invasion of Ukraine" changed everything.

John Browne, who was then a senior executive at BP, first thought of the possibility of investing in Russia while on a business trip to the Soviet Union in 1990. Five years later, Browne became CEO, a role he held for 12 years.

It took until 1997 for BP to make its first investment in the country, paying $500 million for a 10% stake in Sidanco Oil, a major production company run by oligarch Vladimir Potanin. The investment quickly soured because of some local managers' use of obscure bankruptcy laws to sell off assets on the cheap for their own benefit, but Browne was able to salvage what was left of the business by plowing even more money into Russia. He plunked down an additional $8 billion for a 50% stake in Mikhail Fridman's TNK oil operation. That created TNK-BP, a lucrative joint venture that made BP Russia's largest foreign investor and the world's second-largest private oil and gas producer, behind Exxon.

By the time Browne left BP in 2007, the company had recouped its investment in the TNK operation and was on track to make four times the money it had put into the venture, he wrote in his memoir.

Still it was a bumpy marriage, and eventually the relationship soured between the Russian owners and BP. The oligarch partners, unhappy about things including the swelling costs of providing expatriate staffers tied to BP with high salaries and lavish living expenses, waged an extended campaign against the joint venture's head, Dudley, using lawsuits and labor and tax inspections to exert pressure to change the deal. Eventually, Dudley fled Russia, saying he'd been subjected to "sustained harassment."

BP and the Russian partners found a solution by orchestrating a complex deal in which the London oil giant received $12.5 billion and a 19% stake in Rosneft in exchange for its part of TNK-BP. The oligarchs walked away with cash for their share.

Twice a year, BP took its dividends from Rosneft, headed by Igor Sechin, a close associate of President Vladimir Putin's. Even though BP had little influence over Rosneft's day-to-day operations, the stake added millions of barrels to its reserves and accounted for about a third of its daily production.

At first glance, the impact on BP from its looming Russian divestment seems severe. Rosneft accounted for almost half of the company's reserves. BP devoted a section in its quarterly results to its share of profit from Rosneft. But that was mere accounting: BP didn't have access to those barrels of oil and gas, it didn't receive a share of quarterly profit from the Russian major, and it didn't have to contribute cash for Rosneft's capital spending each year. Instead it was largely a passive investor, collecting lucrative dividends.

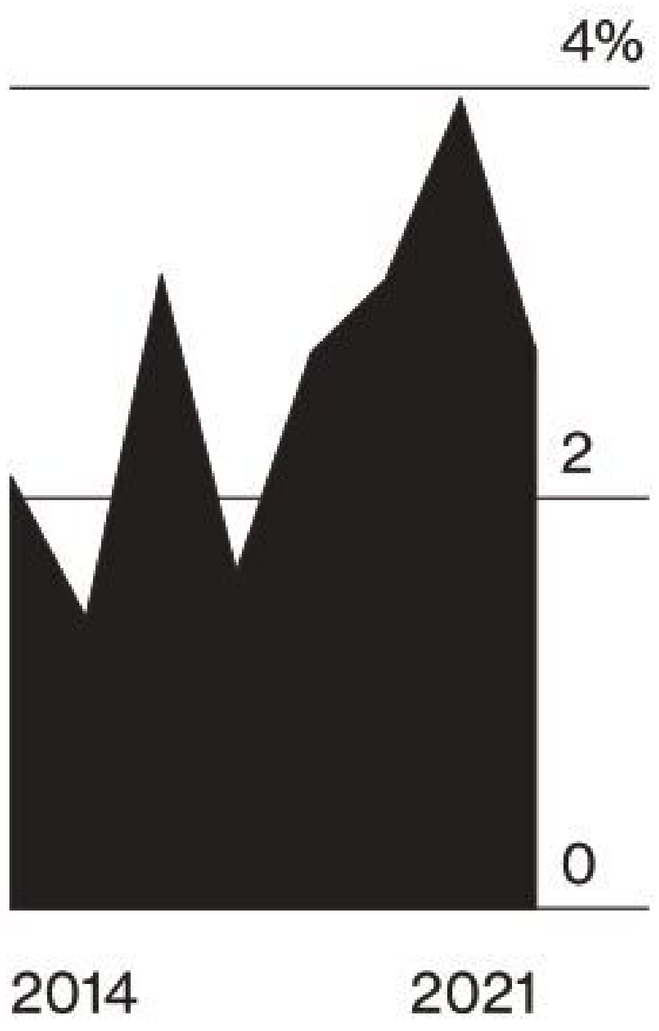
If this wasn't a forced exit, BP might have been able to sell its shares in return for something, but it was never going to be easy, Henderson says, "not once they had a 19% stake in a major state company."

Now the prospect of getting a top price for its Rosneft stake seems to have become moot. "The current situation effectively leaves the perception of the decision out of BP's hands—that is to say, the market may be more forgiving around BP not receiving fair value for the holding," says Biraj Borkhataria, an analyst at RBC. "We doubt they would have received fair value for any sale under most circumstances.... I think the market will ignore the noncash impairment and focus on the loss of dividends." RBC forecasts the dividend loss to be $2 billion a year, but Borkhataria says it "is more than offset by higher commodity prices."

As a rule of thumb, for every dollar the benchmark price of Brent crude rises, BP adds $340 million to its pretax profit. Since BP announced its Rosneft exit, oil has climbed $29 a barrel.

The split could also help BP's green ambitions. It's one of a group of European energy majors

▼ BP's dividend from Rosneft as a share of its total cash flow



◀ promising to slash their greenhouse gas emissions by the middle of the century. To the chagrin of environmental groups and environmental, social, and corporate governance-minded investors, the U.K. company's aims didn't take into account emissions produced from its stake in Rosneft. With the Russian oil company out of the picture, BP's energy transition strategy seems more credible.

Yes, having to take a potential $25 billion hit stings, Henderson says. "But if you did the ledger of BP's investments in Russia over the last 30 years, the ledger would be positive, not negative, despite the short-term pain," he says.

And that's certainly more than Browne bargained for when he took his proposal to invest $500 million in Russia to BP's board decades ago.

"We should consider it an outright gamble," he recalled telling the board, in his memoir, at the time. "We could lose it all." —*Laura Hurst*

THE BOTTOM LINE Over its 30 years in Russia, BP saw its ventures in the country grow to account for a third of its energy production. But it long ago recouped its initial investment.

How the Ukraine Invasion Almost Wounded a Covid Pill

● Many researchers at Enamine, a key contract drug research group in Kyiv, have had to flee

On the eve of the Russian invasion of Ukraine, chemist Tetiana Matviyuk worked late into the night at her Kyiv office. By the time she wrapped up around 10:30 p.m., she'd signed out of a Zoom meeting with a global team of scientists working on a new Covid-19 treatment. The day before, she'd shipped crucial compounds to colleagues in the U.K. and Israel, as her team was closing in on the project's finish line and their Champagne celebration. But instead of euphoria, Matviyuk was filled with dread. She called her husband on her drive home.

"I said, 'I'm feeling that something bad can happen,' " says Matviyuk, principal scientist in medicinal chemistry and computer drug design at contract research group Enamine Ltd. in Kyiv. "He was just laughing at me, that I'm crazy and too nervous, and keep calm–everything will be fine."

At 5:30 a.m. the next day, Matviyuk was awakened by a colleague calling to say the invasion had begun. From the moment the first air-raid sirens went off, it was clear that Ukraine-based scientific work in the push to develop a cheaper Covid treatment for use in poorer countries would take a hit. What's more, the war will likely disrupt other drug discovery projects across the globe, many of which rely on Enamine to provide chemical compounds for testing.

"Everybody uses them for their early-drug discovery projects," says Ben Perry, a medicinal chemist at the Drugs for Neglected Diseases Initiative in Geneva and one of the leaders of the Covid pill project for poorer nations Matviyuk is working on, dubbed Moonshot. "It has a huge impact."

Enamine, founded in 1991, the same year Ukraine became independent, has grown into a linchpin in the global push to find new medicines thanks to its vast library of chemical compounds and skilled scientists who quickly create and test synthetic molecules. The war has transformed these lab chemists into refugees and fighters.

As pharmaceutical giants have increasingly outsourced drug discovery and development to a constellation of smaller research organizations, Enamine has become one of the most sought-after partners for researchers hunting for new medicines.

"They have access to millions of molecules that pretty much every pharma and biotech buy off them in clumps of thousands up to a million" to do initial experiments, says Richard Law, head of business development at biotech company Exscientia Plc in Oxford, England. "All of these drug discovery programs start with a library of molecules from Enamine."

If you look at chemistry as essentially snapping together elements like Lego bricks, then Enamine supplies the chemical blocks, says Ed Griffen, a technical director at MedChemica Ltd., who worked with the company on the Covid antiviral. "They set out to build the biggest building block collection in the world," he says. "They have this amazing component library."

For some clients, Enamine also helps put together the Lego blocks. That's what the company was doing for Moonshot. It's the brainchild of a handful of researchers from around the globe who banded together on Zoom in the spring of 2020. Begun as a forum to find a way to beat the virus, it's developed into an open-source effort with contributions from 584 scientists around the

● Matviyuk

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◀ world. They've now crowdsourced more than 20,000 possible designs for molecules that could block SARS-CoV-2, the virus that causes Covid, from replicating in the body. The group is targeting the coronavirus protease, the same enzyme blocked by Pfizer Inc.'s Paxlovid antiviral. Enamine joined the project, agreeing to do the work at cost.

The Ukrainian team not only synthesized the compounds in their Kyiv lab, but they also took charge of logistics, shipping molecules weekly for testing to the U.K. and Israel for almost two years as well as occasionally sending batches to labs in Chicago, London, and New York. "They were absolutely crucial," says Annette von Delft, a scientist at the University of Oxford who helped coordinate antiviral cellular testing. "We couldn't have done it without Enamine."

In the days leading up to the invasion, Moonshot was nearing a key milestone: identifying which compounds the scientists would use for the drug before moving into safety tests and clinical trials. With tension over Russian President Vladimir Putin's threats palpable, "we shipped more out in the last couple of weeks than we would have normally," Griffen says.

When Matviyuk woke up to the news of the invasion on Feb. 24, her first thought was to stay in Kyiv. In the early-morning hours, her teams were able to send a few final shipments of chemicals to clients overland via Poland. Enamine suspended further operations until Feb. 28. After the sounds of artillery shell explosions drew nearer that day, Matviyuk hastily packed a few bags and climbed into the family sedan with her daughter and headed west, accompanied by a colleague and her two children in another car. Her husband, Marian, stayed behind to join the city's volunteer defense force. It took them 22 hours instead of the usual six to travel the 500 kilometers (311 miles) to reach the home of Matviyuk's parents in Volodymyr, 12 kilometers from Ukraine's western border with Poland.

The day after they arrived, an airstrike killed three people in the city. "We were so scared," Matviyuk says. "After that attack we decided to move to Poland." She, her colleague, and their three children waited for 43 hours in their cars to cross the border, then contacted the mother of a former university classmate living in Zakopane, a small town in southern Poland, who took them in.

With Ukrainian men mostly prohibited from leaving the country and the company's operations suspended for now, a group of male Enamine employees remained behind at its headquarters in Kyiv to keep an eye on key equipment and its precious library of chemical compounds, about 3 million of which exist in physical form. For now the library is safe, Matviyuk says.

◀ Kos is in Lviv, helping coordinate the escape of the families of Enamine employees

PHOTOGRAPH BY OSCAR B. CASTILLO FOR BLOOMBERG BUSINESSWEEK

Her main focus is getting lab operations restarted. She and a team of about 15 female chemists are planning a move to Riga, Latvia, where Enamine already has a logistics site, to work in lab space donated by the Latvian Institute of Organic Synthesis. The company said in a statement that it's seeking help from the Ukrainian government to move critical chemicals out of the country.

Meanwhile in Lviv, Enamine's business development director, Iaroslava Kos, is helping families of its more than 1,000 employees in Ukraine to escape. Those who are able are heading west. "People are coming by car, by trains, by van," Kos says. "We just need to save our main asset—the people."

The company's founder and chief executive officer, Andrey Tolmachov, has also made pleas for Ukraine's allies to close its airspace to Russia. "All these facilities, all the potential of Ukrainian chemists, all this knowledge and experience are under threat to be destroyed," Tolmachov wrote in an open letter posted March 5, adding that he'd spent several nights in his basement with other families.

"All these facilities...all this knowledge and experience are under threat to be destroyed"

The shipment Enamine sent two days before the invasion contained 15 compounds that allowed Moonshot researchers to move to the next phase of the project. Recent tests, though still preliminary, are promising, Von Delft says. They indicate the compound may sidestep drug interactions that have made Pfizer's Paxlovid complicated to prescribe for people taking other medications. The team aims to go on to make an antiviral that can be used more broadly against future coronaviruses, Griffen says. But for now, many chemicals needed for that work are still sitting in Kyiv. —*Naomi Kresge*

THE BOTTOM LINE Kyiv-based Enamine has become a major global supplier of compounds for new medicines. The invasion of Ukraine has put at risk its library of potentially lifesaving chemicals.

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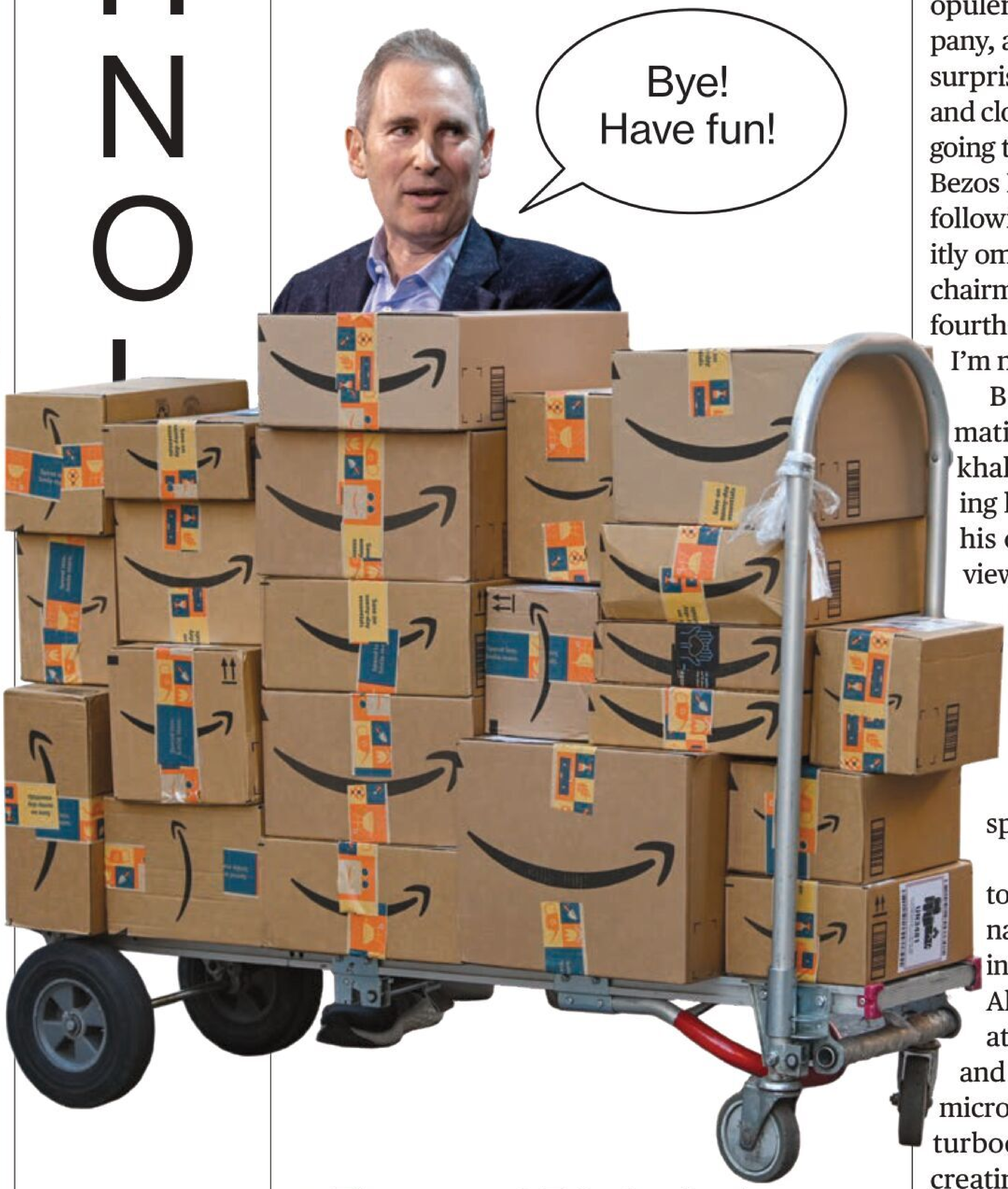

Bye!
Have fun!

● The new CEO, Andy Jassy, inherits a dominant, yet fragile, enterprise. The founder is hanging out in Maui

Edited by
Joshua Brustein and
Mark Milian

It's a tradition that goes back to the early days of the U.S. space program: Astronauts write personal letters to their loved ones, to be delivered only if they don't return from their perilous journey. So last summer, Amazon.com Inc. founder Jeff Bezos, who reveres such rituals, wrote his own heartfelt goodbye to his girlfriend Lauren Sanchez on the eve of his historic ride on a Blue Origin rocket. But then, on the morning of the launch, Bezos couldn't resist. With colleagues and crewmates milling awkwardly around them, according to a person who heard about the exchange, he handed Sanchez her letter in a grand romantic gesture.

Such moments indicate the current state of mind of the world's second-wealthiest person. Bezos now appears to spend much of his time focused on his opulent life with Sanchez, his private space company, and his $10 billion climate philanthropy—and surprisingly little on the $1.4 trillion e-commerce and cloud-computing giant he ran for 27 years. "I'm going to split my time between Blue Origin and the Bezos Earth Fund," he said at the press conference following his safe return to Earth that day, explicitly omitting Amazon, where he remains executive chairman. "There's going to be a third thing and a fourth thing, but I don't know what those are yet. I'm not good at doing just a few things."

Bezos' personal and professional transformation is striking. Two decades ago, he was a khakis-wearing Wall Street expat with a braying laugh whose obsession with the minutiae of his online store kept him largely out of public view, save for the occasional product announcement. Now he's a musclebound mainstay of the tabloid media, happy to put his escapades on display on Instagram—whether he's cavorting at his new $78 million estate on Maui with Leonardo DiCaprio or sending William Shatner and Michael Strahan into space on his rockets.

The dramatic evolution of Bezos appeared to accelerate after Amazon cemented its dominance of online retailing. The company created industry-changing products with the Kindle and Alexa and has maintained breakneck growth at such divisions as the Amazon Marketplace and Amazon Logistics. Masterminded and often micromanaged by Bezos himself, these initiatives turbocharged the company's expansion while creating unanticipated problems for customers, employees, independent online sellers, and brick-and-mortar retailers caught in Amazon's path.

Bezos' monumental success also elevated him to icon status in the business world and inflated his personal fortune, now estimated at $160 billion by

PHOTO ILLUSTRATION BY 731; PHOTOS: BLOOMBERG (1); GETTY IMAGES (1). BEZOS: JOE RAEDLE/GETTY IMAGES

the Bloomberg Billionaires Index. In Amazon's early days, Bezos emphasized values like modesty and frugality and encoded them into the company's leadership principles, which employees were required to follow almost religiously. Lately, he's been more preoccupied with the construction of a $500 million yacht, which may require the dismantling of an historic Dutch bridge for it to reach open sea, an indulgence that contrasts unfavorably with the philanthropic campaign of his ex-wife, MacKenzie Scott. She's giving away her $46 billion post-divorce fortune at a rapid clip while passionately arguing in online essays that the money is the byproduct not of ingenuity but of a broken system.

After being practically worshipped for years, Bezos is now often the subject of something else: mockery. Late-night talk show hosts have poked fun at not only the conspicuously phallic shape of the New Shepard rocket but things such as his New Year's Eve ensemble of a silk shirt, white pants, and heart-shaped sunglasses (evidenced in a photo Sanchez posted to Instagram). Then there was the blue jumpsuit he paired with a cowboy hat for his space launch. According to someone who witnessed him trying it on for a preflight photo shoot, Bezos was volubly upset that the jumpsuit fit poorly around the crotch—and had his tailor flown to his Texas ranch to fix it.

All of this is ridiculous, of course, and Bezos probably knows it. Some former colleagues think it's a reason he has distanced himself publicly from Amazon. "He does have a level of self-awareness," says Craig Berman, a former Amazon vice president for global communications. "I think that may be what may have ultimately contributed to him stepping away from the CEO role."

That's left Amazon's fate in the hands of Bezos' widely respected former deputy, Andy Jassy, a sports fanatic from Scarsdale, N.Y., who apprenticed with Bezos in the company's early days as his technical adviser. For 15 years, Jassy has built Amazon Web Services into a nuclear reactor of growing sales that powers much of Amazon's profit. As chief executive officer of the entire company, he now faces an array of formidable challenges: a tight labor market that requires Amazon to spend more to hire warehouse workers, growing employee dissatisfaction and unionization efforts, increased government scrutiny and potential regulation, and the slowing growth of e-commerce as the pandemic ebbs and people return to shopping in stores.

Jassy's biggest challenge may be Amazon's stock price, which declined about 8% over the past 12 months while the S&P 500 rose 9%. Amazon employees, who are heavily compensated with stock, could exit in droves if the share price doesn't rebound. In February, Amazon indicated it understood those concerns and said it was doubling the maximum base salary to $350,000, but many employees say they're on edge in advance of their annual reviews in April and have begun to openly discuss their compensation with colleagues. "People are worried and asking, 'Should I run now before everyone else gets bad news and starts looking for other jobs?'" says one worker, who requested anonymity because she isn't authorized to speak publicly.

But Bezos didn't leave the cupboard entirely bare for Jassy. AWS shows few signs of slowing down, and for the first time, Amazon divulged financial details of a surprisingly robust advertising business that collected $9.8 billion over the holiday quarter, up 33% from the previous year. Jassy plans to close physical stores that are underperforming and open more cashierless supermarkets and a first-of-its-kind clothing store in Glendale, Calif., Amazon Style, that lets shoppers browse products on a smartphone app and have them delivered directly to a dressing room. He's also talked publicly about Amazon's prospects in the massive health-care market and for its new ▶

■ Listen to the podcast, *Foundering: The Amazon Story*. The first two episodes premiered on March 10, on Bloomberg.com/Foundering

Thanks! Don't work too hard!
J. BEZOS

◀ Alexa-equipped home robot, Astro, which the company unveiled last September and has since rolled out methodically to beta testers.

In the meantime, Wall Street seems to be getting restless. Last month activist investor Daniel Loeb told his hedge fund's clients that he thought Amazon could unlock $1 trillion in value by splitting its e-commerce and cloud units, according to the *Wall Street Journal*. While there's no evidence that Loeb will wage a full-blown activist campaign to pressure the company to break itself up, it's the kind of second-guessing that was inconceivable for the last 15 years of Bezos' tenure as CEO, when he had an aura of invincibility, thanks to years of farsighted decisions and remarkable inventions.

Whether Bezos advised his successor on how to deal with Loeb's alarming comments is unknown. He was probably recovering from a busy weekend: As chronicled in the tabloids and on Instagram, he and Sanchez were in Los Angeles, where they partied into the early hours with celebs like Justin Bieber and Khloé Kardashian, then watched the Rams win the Super Bowl from a private box above midfield. —*Brad Stone, with Spencer Soper*

THE BOTTOM LINE Amazon CEO Andy Jassy must navigate a tangle of problems, both economic and political, as Bezos detaches for a life of love, luxury, and space travel.

Russians Are Stuck in Putin's Web

● A long-planned break from the Western internet has become more real than ever

The Russian internet began shrinking rapidly when the country's troops poured across Ukraine's border in February. First Facebook and Twitter got slower, then the government blocked them entirely. TikTok is now restricting service, and Apple, Dell, Microsoft, and Oracle are curtailing operations. Russian internet users can no longer count on being able to use Amazon's or Netflix's streaming video platforms, web-enabled services such as Airbnb, or payment networks like Visa and Mastercard.

The shutdowns—some imposed by the Russian government, others by foreign-based corporations—are unlikely to ease up soon. "Now every day something new is being shut down," says Anastasia Ermolaeva, a teacher in Moscow. "I'm worried a lot about being completely cut off from the rest of the global internet."

Experts have warned for years about the fracturing of the global internet into national networks controlled by their governments, and some see sweeping—and potentially permanent—consequences to Russia's crackdown. "It is very likely and possible that we just have reached a tipping point in the Balkanization of the global internet," says Asma Mhalla, a lecturer on the digital economy at research university Sciences Po in Paris.

The prime example of this dynamic so far has been China. Beijing has spent years creating a tightly controlled local internet, where the government has tools to regulate information flows—and where local tech services such as Weibo and WeChat stand in for U.S. tech products popular in many other countries.

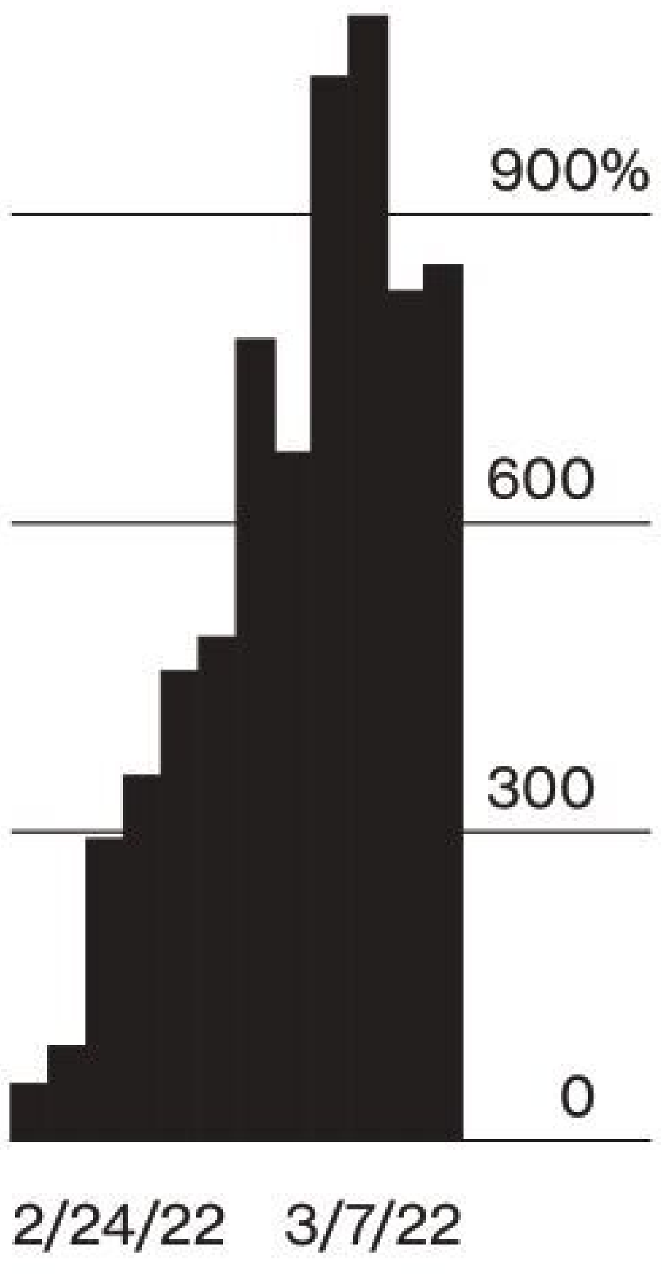
Russia has depended to a greater extent on Western platforms, and there are signs the government is reluctant to deprive its citizens of them even during a crisis. The government has cut off Facebook, but not Instagram and WhatsApp, which are also owned by Meta Platforms Inc. But there's concern that the current conflict will inspire Russia to turn more closely to a Chinese model to insulate it from the West.

Moscow has actually been preparing for a moment like this for years. Starting in 2015, the country required citizens' information to be stored on local servers, and two years later it restricted the use of virtual private networks, which can be used to circumvent government censorship.

Then in 2019 came Russia's "sovereign internet" law, expanding state control over the internet within the nation's borders. Internet providers had to install equipment enabling the government to track, reroute, or block access altogether. "This put into place a kind of really lofty and somewhat novel idea that Russia should be able to flip a switch and turn on a national internet space," says Zachary Witlin, a senior analyst at Eurasia Group, a geopolitical risk consultant.

In 2021, Russia launched the Russian National Domain Name System, which allows Russian IP addresses to continue operating cut off from the global internet, a move that could lead to a major reordering of the online world. "It would herald the beginning of a new Cold War-style split, not between East and West, but between an open, free

▼ Russian web searches for VPNs, change from Feb. 17-23 daily average



"People will find a way to keep reading"

ILLUSTRATION BY AVALON NUOVO. DATA: TOP10VPN.COM

internet and one used to control and oppress," says Flavia Kenyon, an attorney specializing in cyber issues at the 36 Group law firm. She says the extent to which Putin's government has succeeded in creating its own internet system is unclear, but it should be taken seriously, not least because other governments could decide to take similar action.

Many U.S. companies now see doing business with Russia as problematic. Google, Facebook, and Instagram have banned Russian state-backed media from showing ads anywhere in the world, and Snap is blocking ads from all Russian advertisers.

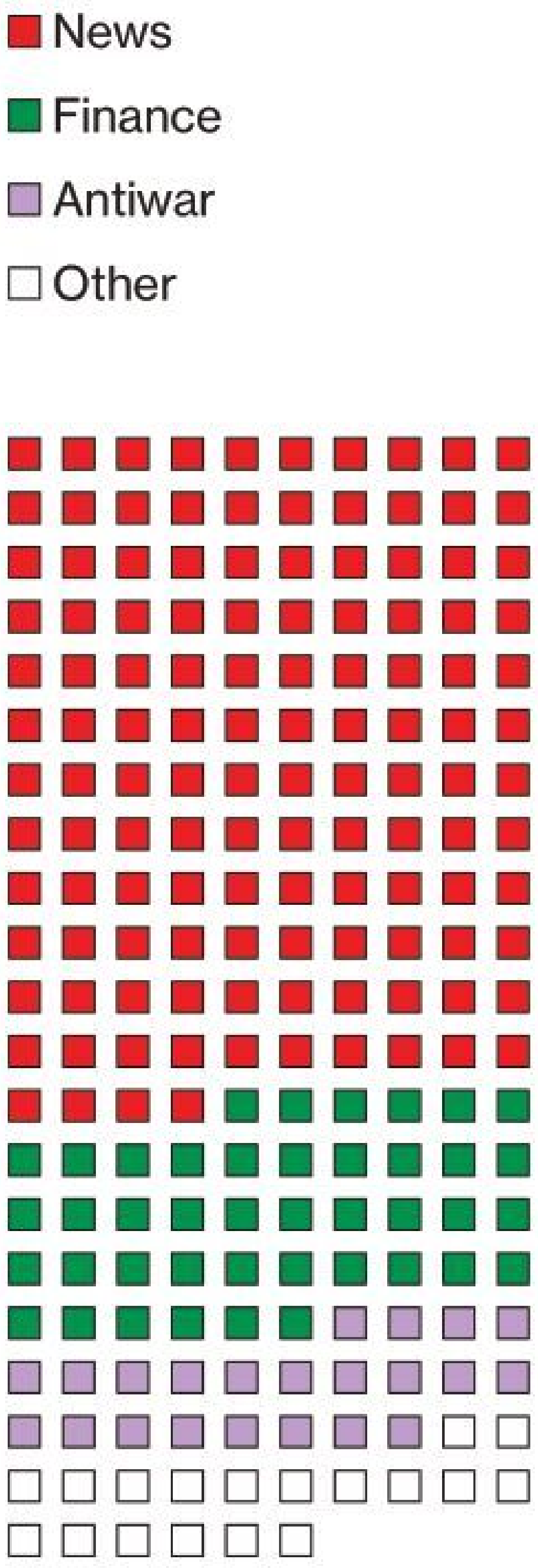
For some companies, this follows years of unenthusiastic engagement with the country. Irina Pavlova, who became Google's first employee in Russia in 2005, says management's mistrust of its Russian team complicated efforts to serve the local market. She senses that in recent years Russia has been a low priority; on Google Maps, "half the names are not even in Russian anymore," says Pavlova, who no longer works for Google. Representatives for Google didn't respond to requests for comment.

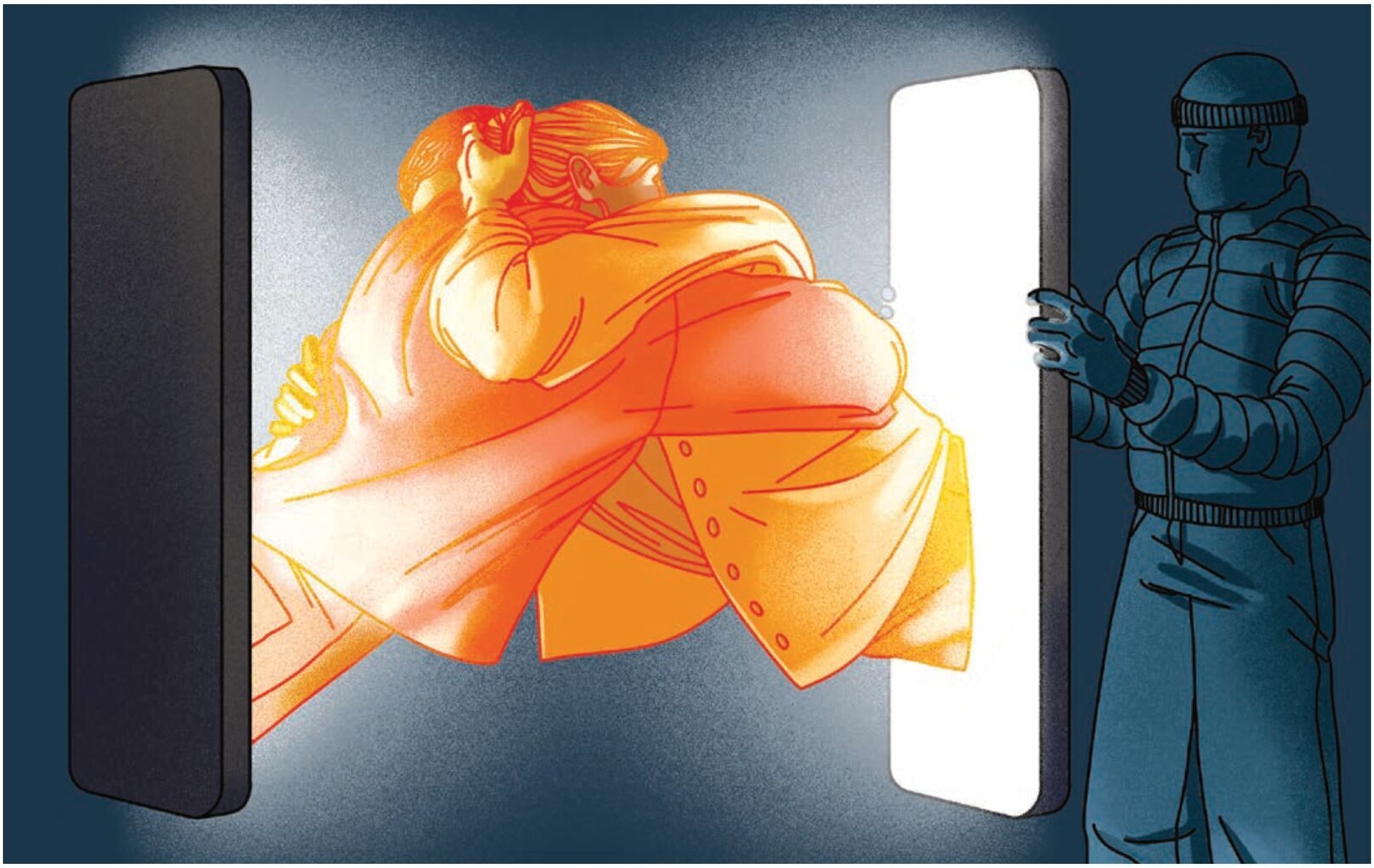
Many Russians have spent years circumventing their government's attempts to keep them from gaining access to Western platforms, and even more are doing so now, as evidenced by a recent surge in VPN usage. Russian users are also finding news through unblocked services such as Telegram. Andrei Soldatov, the Russian-born coauthor of *The Red Web*, a history of internet freedom in Russia, says the government's grip over the flow of information online will never be absolute. Soldatov moved to London so he can safely operate a news website critical of the government, but he has confidence his Russian readership will succeed in getting access even if it's ostensibly blocked. "People will find a way to keep reading," he says.

Alina, a 29-year-old barista and tattoo artist living in Kazan, has experienced inconsistent internet troubles since the invasion. She's come to expect such restrictions and doesn't see losing access to the internet as all that troubling in and of itself. Still, she and many of her friends are preparing to leave Russia if they can. "There's another fear: the fear that the gates kind of all close," says Alina, who asked to be identified only by her first name out of concern for retribution from the government. "Not the internet, but the whole country–something that happened with the USSR. You couldn't leave, you couldn't come, something like North Korea style. That's what's really scary." *—Jillian Deutsch and Ivan Levingston, with Lyubov Pronina*

THE BOTTOM LINE Russians have spent years training themselves to circumvent internet restrictions, but the recent crackdown may mark a turning point.

▼ Websites blocked in Russia since Feb. 24 related to the Ukraine invasion, as of March 7





A Racial Refinancing Gap At Wells Fargo

● Ricard

● It turned down half its Black refi applicants, far more than other major lenders

When Mauise Ricard III paid a $560.43 application fee to Wells Fargo & Co. on Valentine's Day 2020 to refinance his mortgage on a four-bedroom brick colonial in a leafy suburb of Atlanta, he had every reason to expect an easy ride. The Microsoft Corp. engineer is married to a doctor and has a credit score north of 800, putting him in America's credit elite. The loan officer at the bank even told him he was probably eligible for a fast-track appraisal.

It didn't take long for problems to appear. Ricard's house—an investment property that was his home before he moved to another Atlanta suburb in 2017—is in a predominantly Black neighborhood, and in April the loan officer emailed to say that "perhaps the area is not eligible" for a rapid valuation. By May she was writing to say the underwriter had more questions. Soon after, Ricard was told he'd have to pay a higher 4.5% rate, even though the Federal Reserve had slashed rates to historic lows. Within weeks, Wells Fargo had denied his application. "They kept moving the needle," Ricard says. "They didn't want to move forward for whatever reason."

Ricard wasn't alone. Only 47% of Black homeowners who completed a refinance application with Wells Fargo in 2020 were approved, compared with 72% of White homeowners, according to a Bloomberg News analysis of federal mortgage data. Black applicants had lower approval rates than White ones at all major lenders, but Wells Fargo had the biggest disparity and was alone in rejecting more Black homeowners than it accepted.

If, as expected, the Fed's policy committee moves to hike interest rates at its March meeting, it

Edited by
Pat Regnier

PHOTO: ABOUBACAR KANTE/BLOOMBERG

will begin closing the door on a remarkable wealth-creation event that's seen U.S. homeowners refinance almost $5 trillion in mortgages over the past two years. White homeowners saved an estimated $3.8 billion in payments by refinancing mortgages in 2020, according to researchers at the central bank. But the door barely opened for Black Americans, who make up 9% of all homeowners: They locked in only $198 million, less than 4% of the total savings.

Wells Fargo didn't dispute Bloomberg's statistical findings. Although it declined to comment on specific customers, it said it treats all potential borrowers the same, is more selective than other lenders, and has lower acceptance rates across races. Yet even when taking selectivity into account, the San Francisco-based bank had by far the worst record among major lenders when it came to refinancings by Black homeowners, according to Bloomberg's analysis of Home Mortgage Disclosure Act data for 8 million completed applications to refinance conventional loans in 2020. JPMorgan Chase & Co., the largest U.S. bank by assets, accepted 81% of refinancing applications from Black homeowners in 2020, compared with 90% from White ones. Rocket Mortgage LLC, which received 1 million refinancing applications in 2020, more than any other lender, had the smallest gap: It approved 79% of Black applicants and 86% of White ones.

Among major lenders, only Wells Fargo approved a smaller share of refinancing applications from Black homeowners in 2020 than a decade earlier. The bank's 47% approval rate was its second lowest during the past decade. JPMorgan and Rocket Mortgage approved Black borrowers that year at the highest rate since 2010.

The data also show that 27% of Black borrowers who began an application with Wells Fargo in 2020 withdrew it. That meant only one-third of the 17,702 Black homeowners who sought refinancing were successful. Like the industry as a whole, Wells Fargo approved a greater share of refinancing applications from low-income White homeowners than for all but the highest-income Black applicants, who had an approval rate about the same as White borrowers in the lowest-income bracket. Data for 2021 won't be released until later this year. Wells Fargo said it hasn't completed an analysis yet and couldn't comment about whether its refinancing outcomes had changed.

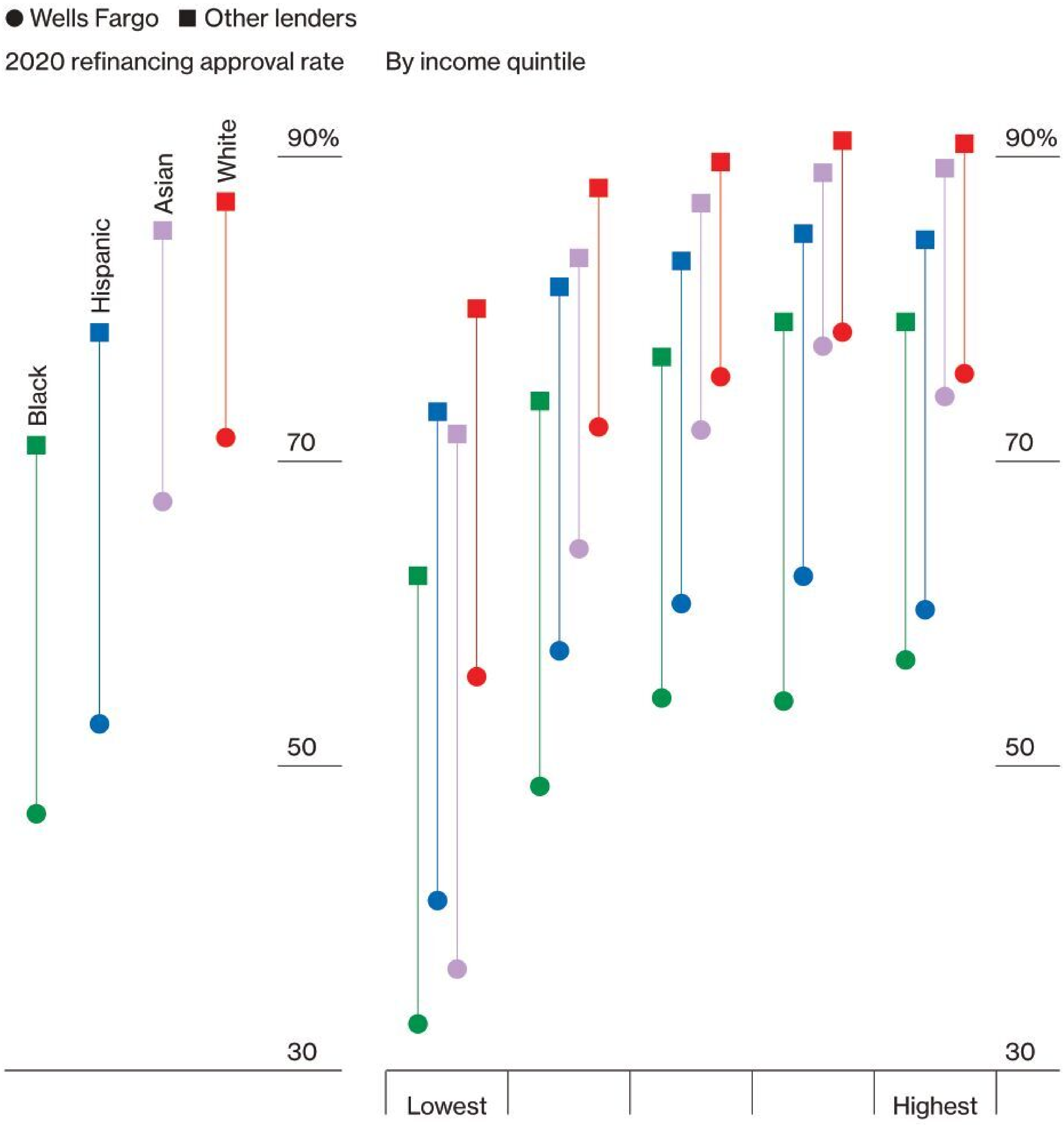
Wells Fargo, along with other banks, was hammered by the U.S. Justice Department after the 2008 financial crisis for alleged discrimination in its lending practices. It agreed to pay more than $184 million to settle federal claims it had unfairly steered Black and Hispanic homeowners into subprime mortgages and charged them higher fees and interest rates. The bank didn't admit wrongdoing.

U.S. law has long held that a "disparate impact" on minority communities can be evidence of institutional discrimination, meaning regulators don't have to prove a bank was engaging in deliberate racism to show that it broke fair-lending or fair-housing laws.

The Biden administration is increasing scrutiny of banks and modern forms of discrimination. "If we allow racist and discriminatory policies to persist, we will not live up to our country's ideals," said Rohit Chopra, head of the Consumer Financial Protection Bureau, at a press conference in October announcing a new push by the Justice Department and regulators to combat so-called redlining by financial institutions. Among the issues he singled out was the role of mortgage underwriting algorithms that banks have long used, calling the disparities in lending outcomes a sign of "digital redlining, disguised through so-called neutral algorithms."

Kristy Fercho, who in August 2020 became the first Black woman to oversee Wells Fargo's home-lending business and its 25,000 employees, ▶

How the Mortgage Giant Compared on Refis



DATA: BLOOMBERG ANALYSIS OF HOME MORTGAGE DISCLOSURE ACT DATA FOR 8 MILLION COMPLETED APPLICATIONS TO REFINANCE CONVENTIONAL LOANS IN 2020

◀ says the bank's processes are race-blind and its lending decisions are "consistent across racial and ethnic groups." Any racial disparity in outcomes for refinancing in 2020 was the result of variables Wells Fargo doesn't control, she and other executives say, including credit scores, the appraised value of homes, and broader inequities in the U.S. economy. A review of the bank's 2020 refi decisions confirmed that "additional, legitimate, credit-related factors" were responsible for differences in approval rates, says Tom Goyda, a spokesman for the bank.

The problem is broader than Wells Fargo and gets at the root causes of the racial wealth gap in the U.S. Housing activists have long pointed to a history of mortgage discrimination and resulting disparities in homeownership rates as the major source of enduring wealth inequality. A typical White family has eight times more wealth than a Black one, according to a triennial Fed survey last published in 2019.

The refinancing gap points to the ability of Black families to build on the wealth they have. Not being able to refinance a home means "people have less resources to invest in their children, less resources to start businesses, less resources to renovate their homes, less resources to buy additional homes," says Andre Perry, a senior fellow at the Brookings Institution, whose 2018 study found that the average Black home was valued at $48,000 less than its White equivalent. That differential amounts to a cumulative $156 billion in missing Black wealth.

Perry says that though Wells Fargo and other banks have made efforts to increase lending to minority communities, some still treat Black homeowners with institutional disdain. "How you know that Black people are valued less is by looking at the data," he says. "And for me, Wells Fargo has to look itself in the mirror collectively and say, 'OK, why are our outcomes worse than other lenders?' "

Wells Fargo, like other lenders, has been working to distance itself from the past. When the murder of George Floyd prompted a nationwide reckoning over race and America's economic inequities in 2020, the bank joined the chorus of companies promising to do better. "This is an important moment at our company, and we will not let it go by without substantive changes," Chief Executive Officer Charlie Scharf wrote in that year's annual report. "We must move with haste to execute on our plans, and know we will be judged based on our outcomes."

Scharf was hired in late 2019 after a series of scandals that began with the revelation that employees opened millions of fake accounts to meet sales goals. That led to sanctions, including a Fed-imposed growth ban and the departures of two of Scharf's predecessors. He's installed new leaders, including Fercho, who took over a home-lending unit that's been the source of some of Wells Fargo's long-standing problems. Regulators spotlighted improper mortgage fees in a 2018 order, and the bank was handed a fresh sanction over lack of progress on that order last year.

Fercho says Wells Fargo is looking at how to better serve Black communities that have often been suspicious of lenders after generations of discrimination. Among the steps: encouraging Black homeowners, who refinance less frequently than White ones, to take advantage of opportunities to lower their rates. Fercho cites her mother's reluctance to refinance her mortgage at any point in its 30-year life as an example of a broader issue. When she asked her mother why she had never refinanced given the money she could have saved, "her answer was 'I could afford my payments. So there was no reason for me to change it.' "

Wells Fargo has also announced a push to increase Black homeownership and in 2021 invested $50 million in 13 Black-owned community banks. In 2017 it pledged to help create 250,000 new Black homeowners by 2027, a goal Fercho says the bank is on pace to meet or exceed.

Black homeowners seeking to refinance in 2020 faced lower approval rates nationwide than those of any other race. About 70% of 254,000 Black borrowers who completed applications had their requests approved. By comparison, 87% of 4.9 million White homeowners were accepted.

The banking industry has long argued that credit scores explain any disparities, not race, but it's lobbied against the release of federal mortgage

▼ McKeller

PHOTO: ABOUBACAR KANTE/BLOOMBERG. DATA: BLOOMBERG ANALYSIS OF HOME MORTGAGE DISCLOSURE ACT DATA

data containing those scores. A 2021 study by Fed researchers given access to a privileged version of the same data Bloomberg used, which included credit scores, showed racial gaps can be largely attributed to those scores and the recommendations automated underwriting systems make to lenders. The study, which looked at both purchases and refinancings, identified differences among lenders, but the researchers didn't document them.

Other researchers and activists say the way credit scores are assembled discriminates against Black families, an increasingly accepted view that has prompted a push to reform the 33-year-old system developed by Fair Isaac Corp. and known as FICO. Those scores are based on how individuals handled credit products such as mortgages, credit cards, auto loans, and student loans in the past.

Including rental payments in the mix would fix a large part of the problem, housing activists say. Minorities make up half of renters in the U.S. and only a quarter of homeowners, according to U.S. Census Bureau data. Studies have shown that including rental payments can help raise credit scores and that a history of paying rent on time is a good predictor of someone's ability to make mortgage payments. Fannie Mae decided in September to include rent payments in credit assessments. Wells Fargo is considering following that move in its lending decisions, according to Fercho, who serves on a regulatory task force looking at discrimination in the credit system. "We have to get creative as an industry around how do we level the playing field and create some equity," she says.

The issues surrounding mortgage discrimination can be dizzying. Studies have documented the reluctance of Black homeowners to refinance and the behavior of loan officers, who tend to approve White homeowners earlier in the month than Black ones. There's also an increased focus on the issue of appraisal discrimination. Experts say that in addition to the issue of credit scores, two things stand out as causing disparities in this refinancing boom: the impact of lenders' proprietary algorithms, or overlays, and policymakers' failure to introduce streamlined refinancing programs.

Nikitra Bailey, senior vice president for public policy at the National Fair Housing Alliance, says the stricter overlays many lenders put in place after the financial crisis raised the average credit score needed to refinance a mortgage to as high as 775 in 2020. "That's well above credit scores for communities of color who lacked that intergenerational wealth," Bailey says. A streamlined refinancing program would also help address the high upfront costs that discourage many Black homeowners.

When Myron McKeller set out in 2020 to refinance the $159,000 Wells Fargo mortgage on his three-bedroom townhouse west of downtown Atlanta, he had two goals: reducing his interest rate and getting his home reappraised. The 32-year-old software sales engineer was hoping the reappraisal would show enough appreciation that he wouldn't need to pay the mortgage insurance required of homeowners with less than 20% equity in their home.

But he didn't even try to refinance with Wells Fargo. An attempt two years earlier failed because of an appraisal that felt suspect to him, and he was instead directed into a loan modification that set a 5.125% interest rate.

Like McKeller, many Black homeowners who sought to refinance with Wells Fargo during the pandemic were middle-class people with good credit scores. But even for members of the Black middle class, the pandemic brought blunt lessons in the legacy of housing segregation in Fulton County, which includes Atlanta. Home prices in the county's predominantly Black southwestern suburbs have lagged behind those to the north for generations, largely because of redlining that labeled Black neighborhoods riskier lending propositions than White areas. Real estate industry veterans say the gap in values is fed by a persistent bias in appraisals that make refinancing harder for Black homeowners.

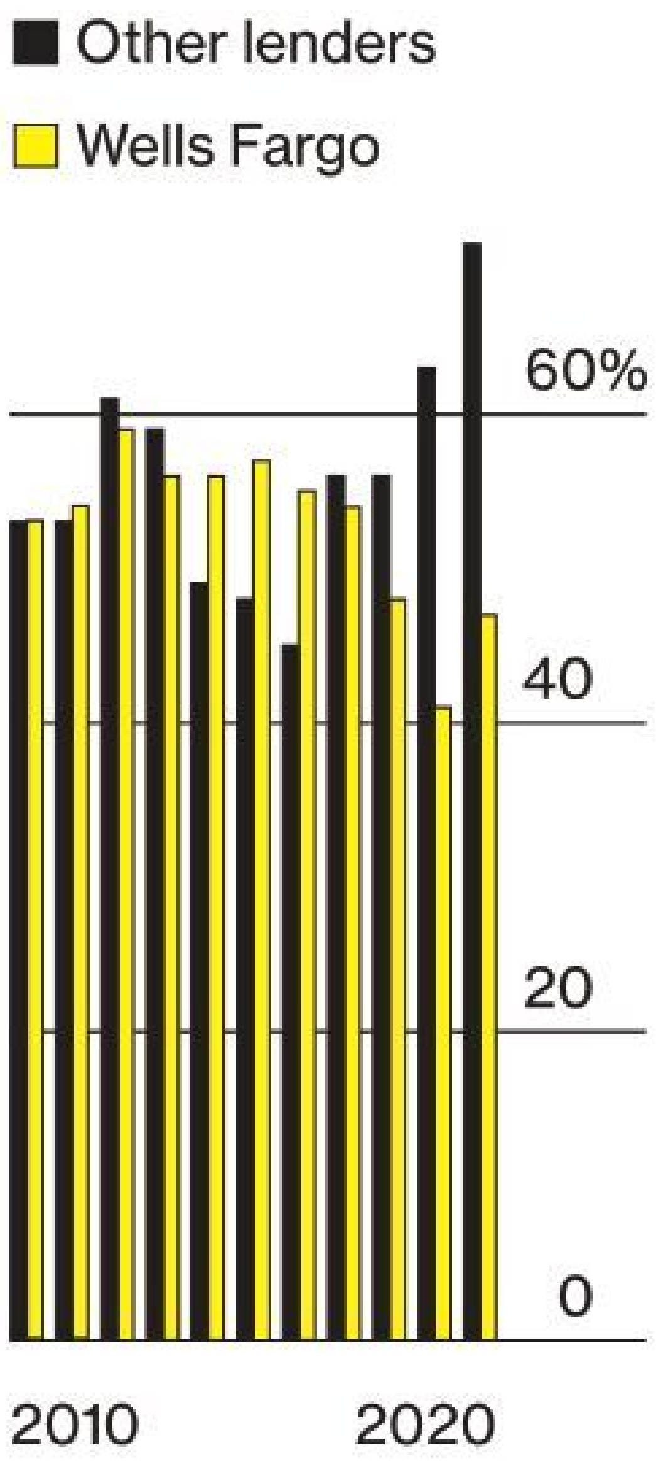
Wells Fargo approved fewer than 43% of refinancing applications completed by Black homeowners in Fulton County in 2020, Bloomberg's analysis shows, the lowest rate among major lenders. Overall, 69% of Black applicants in the county were approved.

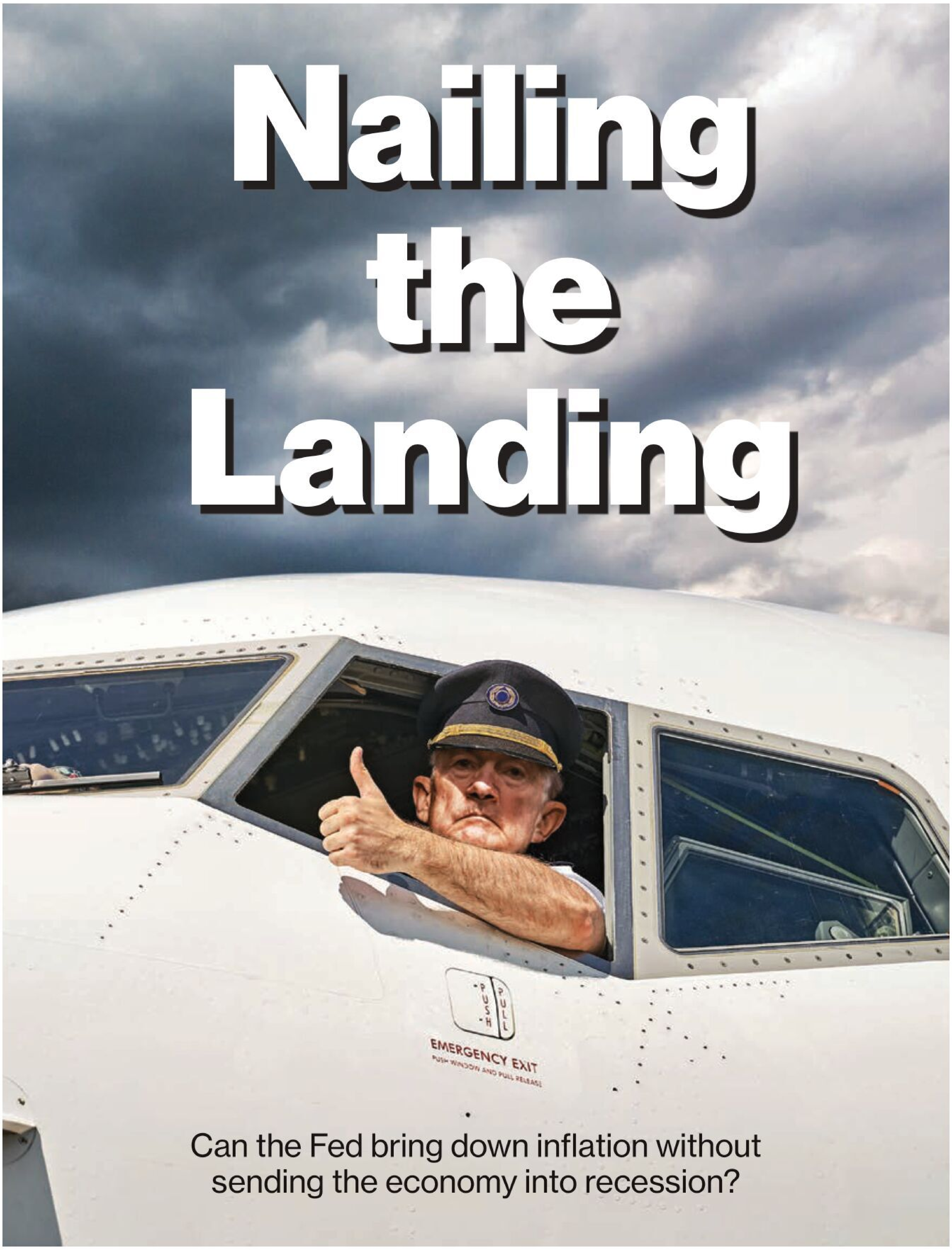
When interest rates tumbled in 2020, McKeller took all his banking business elsewhere, refinancing with an interest rate closer to 3% with a local mortgage company. "Once I was able to refi, I pretty much terminated my relationship with them," he says. "It was definitely time to move on."

Ricard, the Microsoft engineer, also decided to move on after Wells Fargo rejected his application to refinance in 2020. In December 2020—10 months after he lodged his application with Wells Fargo—he closed with another lender at a 3.35% rate. "It's sad that as a banking institution they essentially can't be trusted," Ricard says of Wells Fargo. "As an African American, a person of color, we deal with enough hardships that life hands us. To be discriminated against financially is a hardship." *—Shawn Donnan, Ann Choi, Hannah Levitt, and Chris Cannon, with Jason Grotto*

THE BOTTOM LINE Wells Fargo approved a smaller share of Black refi applicants than other major banks, but there's a broad racial gap in access to such loans, which has increased wealth inequality.

▼ Refinancing approval rate for Black applicants




PUSH
PULL
EMERGENCY EXIT
PUSH WINDOW AND PULL RELEASE

Nailing the Landing

Can the Fed bring down inflation without sending the economy into recession?

In January 2009, Captain Chesley "Sully" Sullenberger safely piloted his crippled US Airways plane to an emergency landing in the frigid waters of the Hudson River, saving all 155 on board. They called it the "Miracle on the Hudson."

Now, Federal Reserve Chair Jerome Powell is about to attempt his own tricky touchdown: curbing inflation that's running at 40-year highs without crashing the economy into a recession by raising interest rates just enough to cool demand, not kill it. It's something the Fed has arguably pulled off perfectly just once, in 1994-95, when Alan Greenspan engineered a proverbial soft landing.

The feat has become markedly more difficult now that Russia's invasion of Ukraine has unleashed turbulence in global financial and energy

Edited by
Cristina Lindblad

PHOTO ILLUSTRATION BY JUSTIN METZ; PHOTOS: ALAMY; BLOOMBERG; GETTY IMAGES. *CORE PERSONAL CONSUMPTION EXPENDITURES PRICE INDEX. DATA: FEDERAL RESERVE, BUREAU OF ECONOMIC ANALYSIS, BUREAU OF LABOR STATISTICS

markets. The surge in oil and gas prices will propel inflation even higher. Rising energy bills—along with slumping stock and credit markets—could also sap consumer demand, increasing the chances of a recession. “It’s going to be very tricky,” says Moody’s Analytics Chief Economist Mark Zandi. “The economic plane is coming into the tarmac at a very high rate of speed, buffeted by severe crosswinds from the pandemic, with a lot of fog created by uncertainty due to geopolitical events.”

It’s all but certain that on March 16, Powell and the rest of the Federal Open Market Committee will announce a quarter-point increase in the central bank’s key short-term lending rate, almost two years to the day after slashing it to zero in response to the pandemic. The move will be the first in what Morgan Stanley economist Ellen Zentner reckons will be six rate hikes this year aimed at bringing demand in the economy more in line with available supply and relieving upward pressure on prices for everything from beef to used cars.

On top of those hikes will come a yet-to-be-specified reduction in the Fed’s balance sheet, which now stands at $8.9 trillion after the central bank loaded up on Treasuries and mortgage-backed securities to support the economy. That will reduce the cash in the financial system—with uncertain consequences for bond and stock markets. The danger is that if inflation doesn’t begin to subside in response to these initial moves, policymakers will end up raising rates too high, sending the economy into a recession and financial markets into a slump.

“When you’re wrong in one direction and you’re painfully wrong, you’re going to have to end up with too much heavy lifting to go in the other direction,” says former Fed Governor Lawrence Lindsey. He puts the odds of a downturn by the end of 2023 at above 50%.

Lauded for his role in helping prevent the Covid-19 recession from turning into an outright depression, Powell now faces flak from all sides for letting inflation get out of control. At a Senate Banking Committee hearing on March 3, Alabama Republican Richard Shelby and Nevada Democrat Catherine Cortez Masto pushed him to admit the Fed had flubbed it by not being quicker to tackle rising prices. In a rare admission for a Fed chair, Powell, who’s awaiting confirmation for a second term, said that “hindsight says we should have moved earlier.”

Former Treasury Secretary Lawrence Summers has been warning for months that the Fed has fallen well behind the curve. The risk that a recession will start in the next 30 months in the runup to the 2024 presidential election “is certainly 50%,” says Summers, who’s a Bloomberg Television contributor and longtime Democratic policymaker.

There’s no textbook definition of a soft landing, though it’s widely agreed that the 1994-95 episode qualifies as one. By doubling interest rates over the course of a year, the Greenspan-led Fed succeeded in reducing inflation while keeping the job market at what was then considered full employment. That accomplishment helped pave the way for another six years of economic expansion, aided by the tailwind of an internet-driven productivity boom.

While the economy avoided recession, many bond investors suffered sharp losses. The casualties included California’s Orange County, which filed for what was then the largest municipal bankruptcy in U.S. history, and Mexico, which had to devalue its currency and seek a debt bailout from the U.S. and the International Monetary Fund.

Alan Blinder, the Fed’s vice chair at the time, says the central bank has achieved a number of “pretty soft” landings over the past half-century. In 2001 the economy suffered what he called a “recessionette”—an exceedingly mild and brief downturn—in the wake of Fed rate increases that began two years earlier and the bursting of the dot-com equity market bubble. At other times the Fed has been blown off course by events outside its control. Powell believes that was the case in 2020, before the pandemic hit. After a series of rate moves, the economy looked set to extend a record-long expansion until activity was shut down to contain Covid.

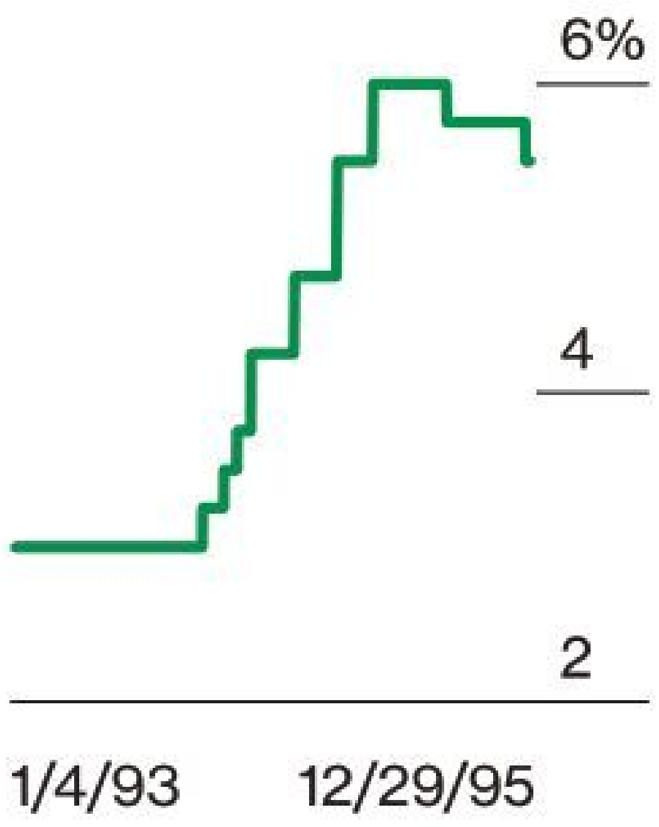
Donald Kohn, a veteran of the Fed’s 1994-95 tightening campaign, says a key to that effort’s success was that the central bank acted before inflation picked up meaningfully. That hasn’t happened this time, partly by design. After years of falling short of its 2% price target, the Fed adopted a new monetary regime in August 2020 in which it said it would not act preemptively to contain inflation. Instead, it would wait until inflation had reached 2%—and was poised to exceed that level moderately for some time—so the job market would have time to recover. “The Fed, as it was structuring its framework, was thinking of a very different world than we have today,” says Nathan Sheets, a former central bank official who’s now global chief economist for Citigroup Inc. “They weren’t thinking of a situation where you’d have a potpourri of supply and demand shocks” and consumer price inflation of 7.5%.

Also crucial to pulling off a soft landing is knowing when to stop tightening credit, says Kohn, a former Fed vice chair who’s now a senior fellow at the Brookings Institution, a think tank in Washington. That requires anticipating where inflation looks likely to settle. Most economists agree with Powell ▶

▼ How Alan Greenspan cooled an overheated U.S. economy without triggering a recession

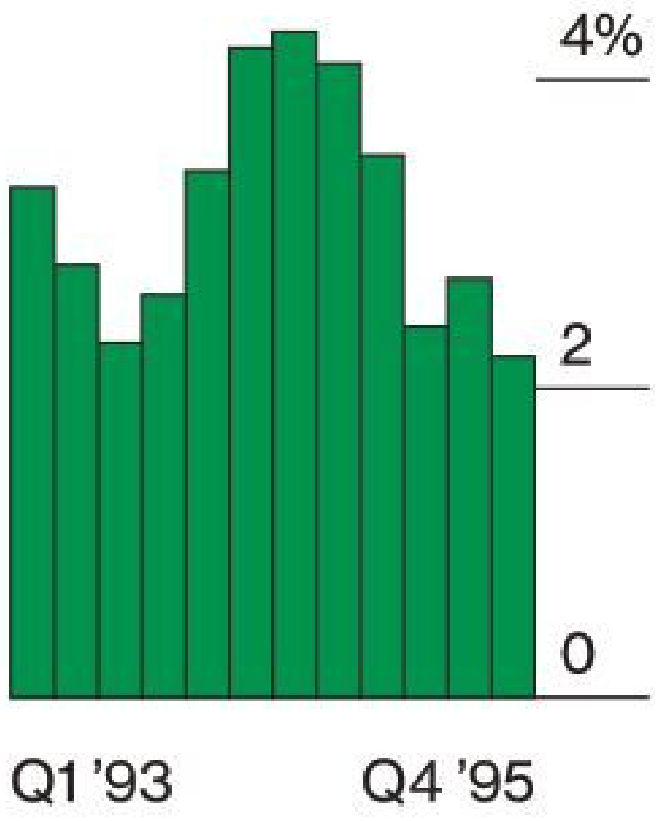
❶ The Fed doubled short-term interest rates…

Federal funds rate (upper bound)



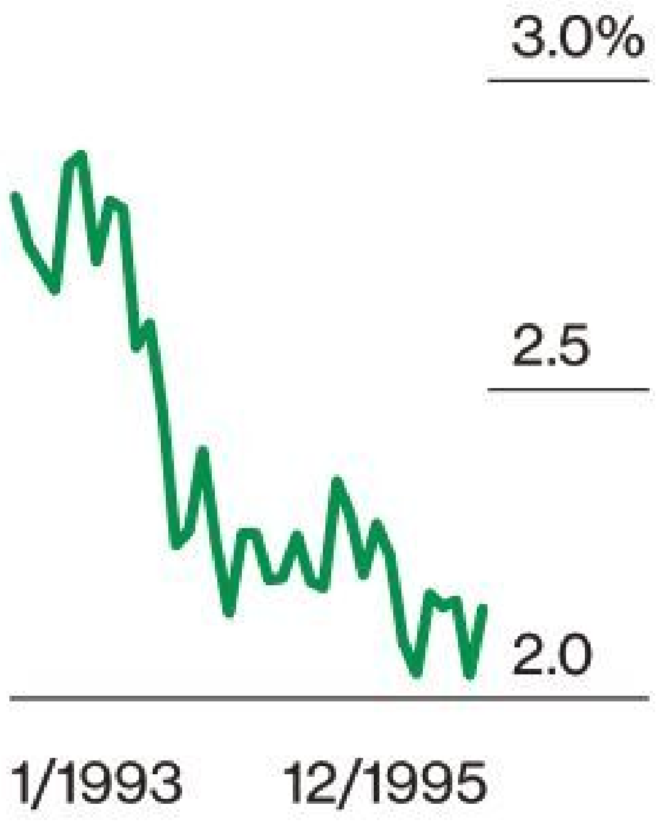
❷ …which slowed growth…

Real GDP, year-over-year change



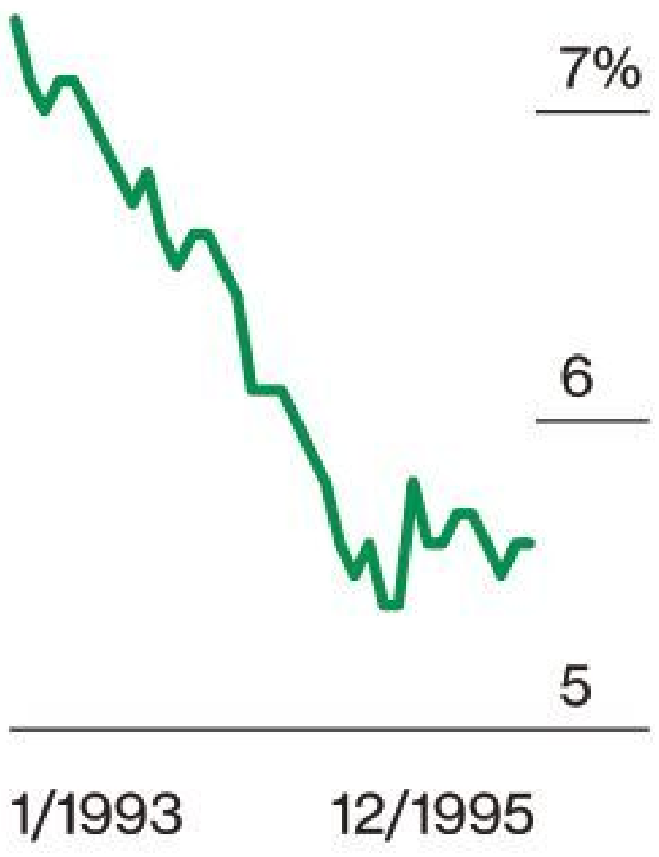
❸ …and caused inflation to fall…

Core prices*, year-over-year change



❹ …as unemployment leveled off

Unemployment rate



◀ that inflation will ease this year as supply chains become unstuck and economic growth slows from last year's torrid pace. But it's still likely to remain uncomfortably above the Fed's 2% goal. With the job market extremely tight, companies are having to pay higher wages to get and keep the workers they need—and they'll want to raise prices to compensate for their added labor costs.

Powell acknowledged to lawmakers on March 2 that it's "going to take some time" for the Fed to get inflation under control. With the financial implications of Russia's attack on Ukraine "highly uncertain," he said the Fed at first would proceed especially carefully in withdrawing the support it's been providing the economy. But he added that the central bank is prepared to act more aggressively if inflation doesn't come down as expected.

Blinder thinks Powell & Co. still have a chance of bringing off a "softish" landing, though the invasion of Ukraine has made it much harder. Leaving aside the unknowable impact on energy markets, he expects many of the forces pushing prices higher to dissipate on their own, enabling the Fed to rein in inflation without having to aggressively tighten monetary policy. But the Princeton professor said that if Vladimir Putin's war ends up inflicting lasting damage on the global economy, the odds of a successful Fed effort go down. "It's going to be very, very difficult," he says. "They're trying to land the plane in very choppy weather, not like we had in the '90s." —*Rich Miller*

THE BOTTOM LINE Inflation at a 40-year high, a tight job market, and now a war all complicate the Fed's job of using interest rates to cool demand and guide the economy to a soft landing.

The Fed Goad In Congress

● Senator Pat Toomey is marshaling GOP opposition to "mission creep" at the central bank

When the Federal Reserve starts raising interest rates on March 16, it can expect to hear "It's about time" from Pat Toomey. The Republican senator from Pennsylvania was early to call out the central bank for falling behind on its mandate to maintain stable prices—now an often-heard complaint. He's also criticized Fed officials for wandering into issues he sees as well outside their authority.

The top Republican on the Senate Banking Committee has rallied party members to call for more accountability from the Fed and fight its "mission creep," including what he sees as a push by Democrats to have the central bank encourage a move away from fossil fuels.

Toomey is leading an extraordinary boycott of a committee vote on Sarah Bloom Raskin, President Joe Biden's pick to be vice chair for supervision. A Duke University law professor and Washington insider who's previously held high-level jobs at the Treasury and the Fed, Raskin has endorsed the idea of using the government's banking supervision powers to prod industry to deal with financial risks associated with climate change.

"I don't think there should be a Politburo that gets to allocate capital in America," Toomey says. "It's so undemocratic. It should be objectionable to every single person who's been elected to public office and everybody else." He scoffs at "the idea that those folks ought to make the tough trade-off decisions that are inherent in energy policy."

While Raskin in her Feb. 3 confirmation hearing repeatedly said it's not the Fed's job to allocate capital or tell banks which sectors to lend to, Toomey is unconvinced.

Another issue has stalled her confirmation, and that of Biden's other four Fed picks, including the renomination of Jerome Powell, now the acting chair: Raskin's work as a director for Reserve Trust, a Colorado financial technology company. Toomey says he's unsatisfied with answers he's received from the Fed and Raskin about the extent of her role in interceding with the Federal Reserve Bank of Kansas City to help the company secure a master account, which allows access to the central bank's payment system.

"It's outrageous that we can't get answers to these questions," Toomey says, and he plans to hold up a vote unless he's satisfied. He

● Raskin

TOOMEY: BILL O'LEARY/THE WASHINGTON POST/AP PHOTO. KEN CEDENO/AP PHOTO

calls Raskin's stint at Reserve Trust a textbook case of the "revolving door" often lamented by progressive Democrats such as Senator Elizabeth Warren of Massachusetts. Raskin told the committee she doesn't recall the episode, while the Kansas City Fed has said it's routine to discuss issues with directors of financial institutions. But Toomey says Colorado's banking regulators have disputed elements of the Fed's account.

While Toomey has offered to hold votes on Biden's other nominees and allow them to be confirmed, committee Chair Sherrod Brown has vowed to move all of the Fed picks together. The Ohio Democrat has accused Toomey and the GOP of working on behalf of the oil industry in trying to derail Raskin's confirmation. "That's who they are, the fossil fuel party," he said at the Capitol last month. Toomey, he said, "doesn't like that she's going to tell the banks around this country, 'You need to include the risks of climate in your lending policies.' "

Toomey has long been an archetypal warrior for a particular brand of conservative economics in Washington, endorsing restrained federal spending, low taxes, free trade, and free markets. Before winning his Senate seat in the 2010 red wave that returned the lower house of Congress to GOP control, he served as the president of the Club for Growth, a group that advocates for smaller government.

"My highest political value has been freedom, and that has to include economic freedom, or else you're not really free," he says. "Freer societies are more prosperous, there's more opportunity, and people have a better standard of living, have a better life." Toomey says his previous experience working in the financial industry and helping his family run a bar and restaurant business in Pennsylvania also helped shape his views.

In the Senate he was instrumental in negotiating a budget deal that paved the way for President Donald Trump's tax cuts, while opposing his trade wars as well as his efforts to have the Fed pursue negative interest rates to juice the economy. He also led an effort at the end of 2020 to shut down the emergency programs the Fed rolled out during the pandemic.

Since then he's repeatedly called for the central bank to wind down its extraordinary program of bond purchases and start raising rates. Although Toomey backs a second term for Powell, he's criticized him for what he considers a too-loose new monetary policy paradigm allowing inflation to exceed its long-run 2% target. He also objects to having the regional Fed banks wade into areas such as racial justice and state education laws, which he considers outside the Fed's purview.

In a similar vein, he accuses the White House and Democrats in Congress of trying to use the Fed and other institutions to enact policies like a "draconian" shift away from fossil fuels they wouldn't be able to get through the House and Senate. "Win elections and pass your legislation that deals with it," he says. *—Steven T. Dennis*

THE BOTTOM LINE Republican Senator Pat Toomey has criticized the Fed for waiting too long to tighten monetary policy to contain inflation and for straying into areas outside its purview.

Neoliberalism Still in Vogue In Moscow

● Putin doubles down on free markets and fiscal restraint even as Russia's import-dependent economy reels

Two weeks into Russian President Vladimir Putin's invasion of Ukraine, the fallout at home is starting to come into focus as the economy becomes increasingly closed off from the outside world.

Debilitating sanctions imposed by Ukraine's allies have brought about a collapse in the value of the ruble and a mass exodus of foreign companies serving the Russian market. The combination is making it difficult for the country to continue importing critical goods, increasing prices dramatically for those it can still get, and threatening to push up unemployment sharply as production of everything from Nissan sedans to McDonald's hamburgers grinds to a halt.

Putin and his policymakers have limited options to cushion the blow. Days after Russian troops swept into Ukraine, the Russian central bank raised its benchmark interest rate to an unprecedented 20% in a bid to stop the ruble's free fall, a move that will curtail credit and activity in construction and other sectors that are especially sensitive to borrowing costs.

Russia watchers say Putin's desire to portray the situation as temporary, and his commitment to market principles and financial discipline, is preventing the type of broad shift in fiscal and ▶

◀ industrial policies that others within elite circles would favor to cope with the sudden stop in the flow of capital and commerce. The impact of sanctions may ultimately make that position untenable.

"What's so devastating about these sanctions for the Russian economy is that they spent 30 years integrating into the world economy, and now they're feeling the effects of being cut off from it," says Kristy Ironside, a professor at McGill University in Montreal who specializes in the history of modern Russia. "At least in the short term, we are going to see something resembling pretty close to autarky."

The list of global businesses severing ties with Russia grows longer by the day, limiting choices for consumers, disrupting business activity, and jeopardizing employment. Goods producers that export to Russia, such as Samsung Electronics Co. and Levi Strauss & Co., have suspended shipments. International accounting and law firms are pulling out. Many foreign manufacturers, including automakers, are ceasing exports to Russia and also shutting plants there.

Others are maintaining production for now while halting new investment. Several multinationals, including PepsiCo Inc. and McDonald's Corp., which together employ more than 100,000 in the country, have said they'll keep paying their workers. Andrey Turchak, a top Russian politician, has proposed nationalizing the assets of foreign companies that have exited the country.

Russia relies heavily on imported goods. The share of foreign products in the nonfood retail market was 75% as of 2020, according to a November report by the Higher School of Economics in Moscow. For car parts, that number was 95%. "We've seen, for example, stories of car factories across Russia shuttering because they can't get parts," says Christopher Miller, co-director of the Russia and Eurasia Program at Tufts University in Medford, Mass. "This is probably just the beginning of disruption to a whole swath of Russian industries that will struggle to access the components or the supplies that they need to keep running."

Russia's gross domestic product may shrink 9% this year from the sanctions that are already in place, according to Scott Johnson and Tom Orlik of Bloomberg Economics. That would be a bigger hit than resulted from the 1998 crisis, which saw Russia devalue the ruble and default on its debt, or from the global financial crisis of 2008-09.

If the U.S. and Europe take more extreme steps, such as a full-blown boycott of Russian oil and gas exports, Johnson and Orlik calculate the hit could be closer to 14%, which would mark the worst downturn since the Soviet Union's collapse in the early '90s.

▲ Russians flocked to Ikea stores that would be shuttering

The coordinated effort to cut Russia off from the rest of the world is sure to lend fresh impetus to Putin's drive for economic self-reliance. Russia has been trying without much success to move in that direction since it annexed the Crimean Peninsula eight years ago and triggered a raft of international sanctions, according to Michael Alexeev, an economics professor at Indiana University who's studied Russia's transition from the Soviet-style command economy to a more market-oriented one. "They have been trying to go the import substitution way since at least 2014," he says. "So that has been their goal for many years now–in some sense, I think, because they were preparing for this kind of war. And nonetheless, they have not been able to do this."

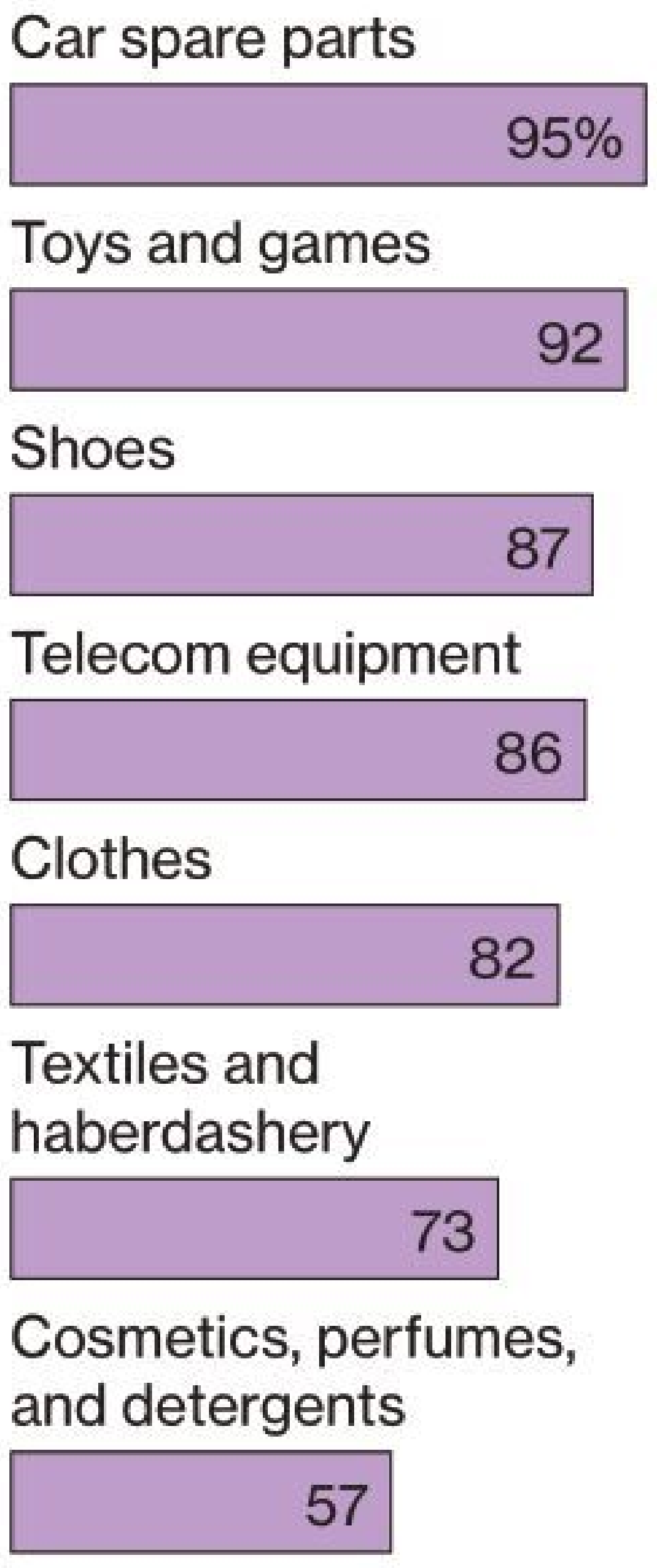
The problem will be compounded by a flight of highly skilled workers from Russia that's already under way, in part because of fears that the Kremlin will impose martial law if the assault on Ukraine drags on. "This was one of the things that really hurt Russia in the 1990s, when the economy tanked after the collapse of communism. You had millions of people who left," Ironside says.

Inflation, which was 8.7% in the 12 months through January, could surpass 20% by midyear, spurred by shortages, higher energy prices, and ruble depreciation, according to a March 5 report by Barclays Plc that noted "risks are skewed to the upside, if sanctions pressure increases."

In the first full week since the military offensive began late in February, prices for new domestic cars jumped more than 17% and those for television sets 15%. Retailers have started restricting purchases of "socially important" food staples in recent days, following reports of hoarding.

Even though the Russian government spent years salting away billions of dollars from oil exports into a Wellbeing Fund, it doesn't have sufficient resources to shield Russian households from the income shock resulting from the invasion. Nevertheless, several of the experts interviewed for this story said expectations that the economic pain will trigger a popular rebellion are misplaced, at least in the near term.

▼ Share of Russia's retail goods imported from foreign markets in 2020



REUTERS. DATA: HIGHER SCHOOL OF ECONOMICS

There are regimes "that are able to survive for many, many years, like North Korea and Iran, where the standard of living declines very much, and they still are able to keep power," Alexeev says.

Putin's remarks at a March 5 meeting with women crew members of Russian airlines ahead of International Women's Day suggested he doesn't intend to veer off the fiscally conservative path his government has charted in recent years, according to Stephen Fortescue, a professor who studies Russian politics at the University of New South Wales in Sydney.

"He said that the response to the sanctions would be liberalization of the economy, which was a somewhat odd thing to say in the circumstances," Fortescue says. "I took that as a message to his own policymakers that his general commitment to financial discipline—that we don't bust the budget, we don't print money, inflation is still a serious issue—is still the situation."

Even so, Maximilian Hess, a fellow at the Foreign Policy Research Institute, hears a death knell for the 30-year project of integrating Russia into the global economy. The only option left to Putin now, he says, is a transition back to a more command-style system. "We need to be talking about the Russian market economy as dead—and what comes after it," he says. —*Matthew Boesler*

THE BOTTOM LINE Putin is intent on preserving the illusion of normalcy even as sanctions give rise to speculation about a return to a Soviet-style command economy in Russia.

Brazilians Are Getting Squeezed by Rising Rates

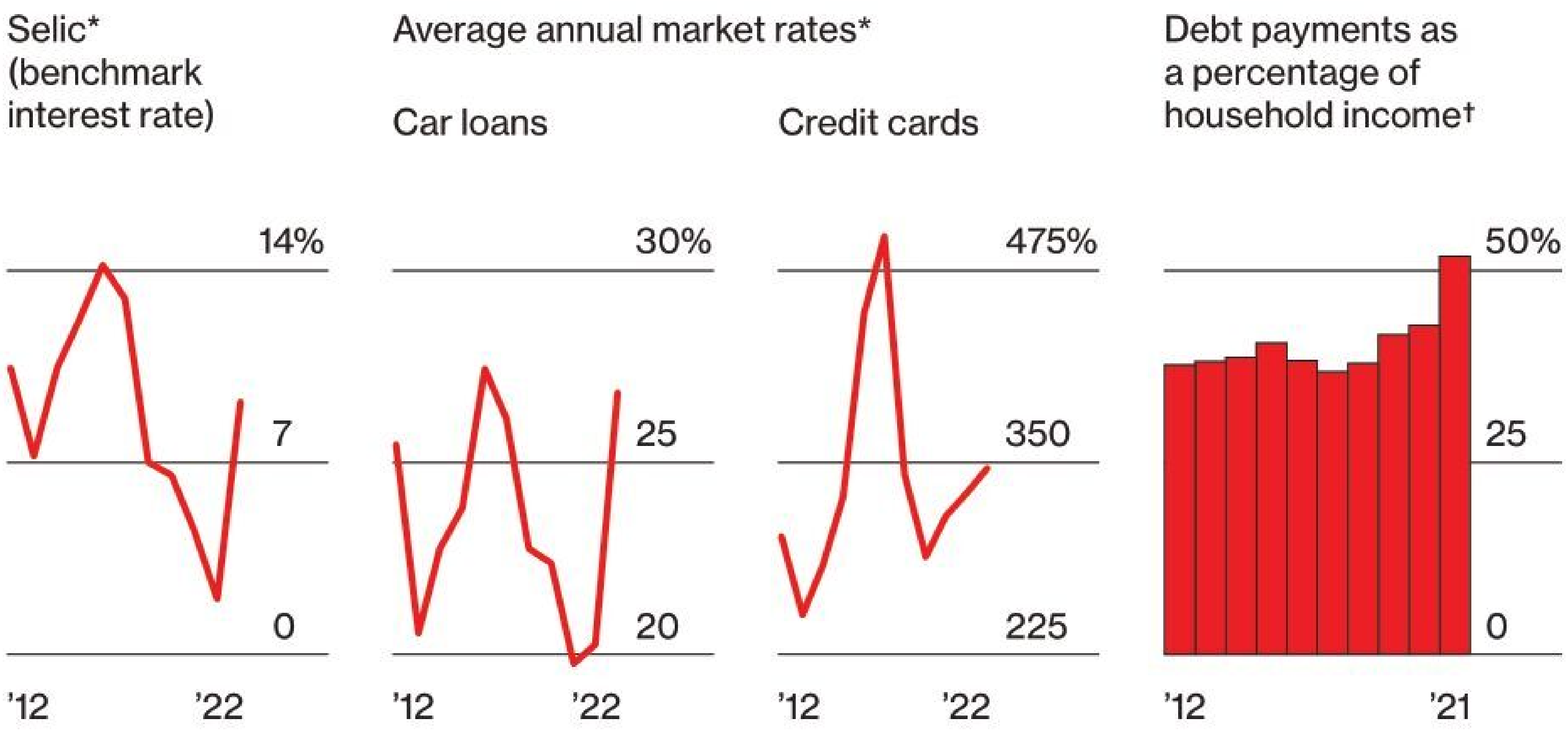
- Households are spending more than half their income paying off debt

Finance professor Claudia Yoshinaga asked her foreign students at the Getulio Vargas Foundation in Rio de Janeiro to guess the average interest rate Brazilian credit card issuers charge on unpaid balances. She instructed them to guess high. "Their wildest bet was 50%," she says.

The correct answer: 346.3%. "I have students from the U.S., Belgium, Africa…and it's unbelievable to them," Yoshinaga says.

Brazilians who took on debt during the pandemic are bearing the brunt of the central bank's campaign to tame stubborn double-digit inflation. While policymakers in the U.S. and Europe dithered, monetary authorities in Latin America's biggest economy were quick to respond to surging prices, prodded by memories of bouts of hyperinflation that stretched into the early 1990s.

Since March 2021, Brazil's central bank has ratcheted up its benchmark interest rate, called the Selic, a total of 875 basis points. The strong medicine is starting to show results. Consumer prices rose 10.4% in January from a year earlier, an improvement on an 18-year high of almost 11% in November.


Credit Is Getting Pricier in Brazil

*FIGURES AS OF EACH JANUARY. †FIGURES AS OF EACH NOVEMBER. DATA: CENTRAL BANK OF BRAZIL

The higher rates are cutting into Brazilians' spending power. Payments on consumer debt including mortgages, car loans, credit cards, and other types of revolving credit now gobble up about 52% of household income—a 9-percentage-point jump from 2020 and the highest rate recorded since the central bank began tracking the metric 17 years ago.

During the pandemic, more out-of-work or underemployed Brazilians began relying on credit cards or store cards to pay for such essentials as groceries and drugs. Alexandra Silva, 26, was working as a theater lighting specialist on the tourist island of Florianópolis when the crisis hit. She lost her job, and as she hustled for replacement gigs, she watched her income drop from 3,500 reais per month ($700) to 1,800. "I'm making a huge effort to not lose control over my finances. But I can't seem to stop using my credit cards," says Silva, who sometimes transfers balances from one card to another to give her more time to pay off charges.

When Brazil's central bank slashed the policy rate to 2% in August 2020 to support the ▶

◀ economy during the Covid-19 crisis, many Brazilians jumped at the opportunity to sign up for credit cards or take out loans. A host of financial technology companies competed with banks to sign up new customers. By the end of 2020 there were 134 million active credit cards in circulation, according to the latest data available from the central bank, a 35% increase from 2018.

While studying business administration in college in Rio de Janeiro state in 2017, Nathalia Rodrigues accepted a part-time job at a shoe store, persuading customers lined up at registers to sign up for a store credit card. Before long, she says, she was filled with guilt that she was helping people go into debt.

So Rodrigues, 23, transformed herself into a personal finance guru who dispenses advice on Twitter, YouTube, and TikTok on everything from how to draw up (and stick to) a household budget to how to deal with an inheritance. Her social media followers number half a million.

"As soon as they are 18, Brazilians hear from their parents that they need to get a credit card even when they have no money to pay for it," Rodrigues says. "I'm not saying that someone who has a low income can't have a credit card, but it needs to be granted in line with income." The problem, she says, is that spending limits are often set too high, making it easier for novice cardholders to fall behind on payments.

Many Brazilians also took advantage of a three-and-a-half-year streak of single-digit interest rates, the longest in Brazil's history, to buy a home. But because almost all mortgages in the country carry variable rates, many weren't able to keep up with payments once the central bank began hiking. Brazil's banking federation, known as Febraban, estimates that 18.7 million home loan contracts have been renegotiated since the beginning of the pandemic, though the data doesn't differentiate between borrowers who are in financial straits and those simply looking to lock in a lower rate.

◀ Rodrigues dispenses tips on how to get out of debt

PEDRO CAMPOS

Garben Hellen, 53, a public servant in Brasília, received the keys to her newly built home only in May, but she's already straining to afford the 1,005-reais-a-month mortgage payment, which has increased more than 10%. "If this keeps getting costlier each month, I just won't be able to pay it," she says.

Central bank chief Roberto Campos Neto has dismissed concerns that loan defaults will shoot up from the current low single digits, compromising the health of the banking system and the economy at large. "Credit volumes are still growing in a healthy way," he said at an online forum last month. "Obviously we are always worried about higher indebtedness, but so far we haven't seen anything outside of what we expected."

Data compiled by the World Bank show that Brazil's interest-rate spread—the difference between the average bank lending rate and the deposit rate—was the third-highest globally, at 26.8%, in 2020, the latest available year. Banks have argued the large differential is a reflection of the fact that many Brazilians lack a credit history that lenders can access to gauge their risk. Legislation that would cap interest rates on credit cards has stalled in Congress.

Rising interest rates helped tip Brazil into recession last year, and while the economy managed to eke out growth of 0.5% in the final quarter of 2021, tighter credit conditions will continue to act as a drag on the expansion. Economists are penciling in at least two more rate hikes in 2022, lifting the Selic to 12.25%.

Worsening household debt levels "will hold down activity," says Cristiano Souza, an economist at JPMorgan Chase & Co., who predicts Brazil's economy will register no growth for the year as a whole. "It's part of a negative scenario of higher interest rates which dampen consumption, high inflation that erodes purchasing power, and a lack of real wage increases, which also holds back consumption," he says. —*Maria Eloisa Capurro and Marisa Wanzeller*

THE BOTTOM LINE Brazil's central bank has raised interest rates aggressively to quell inflation, choking off consumer demand and causing the economy to sputter.

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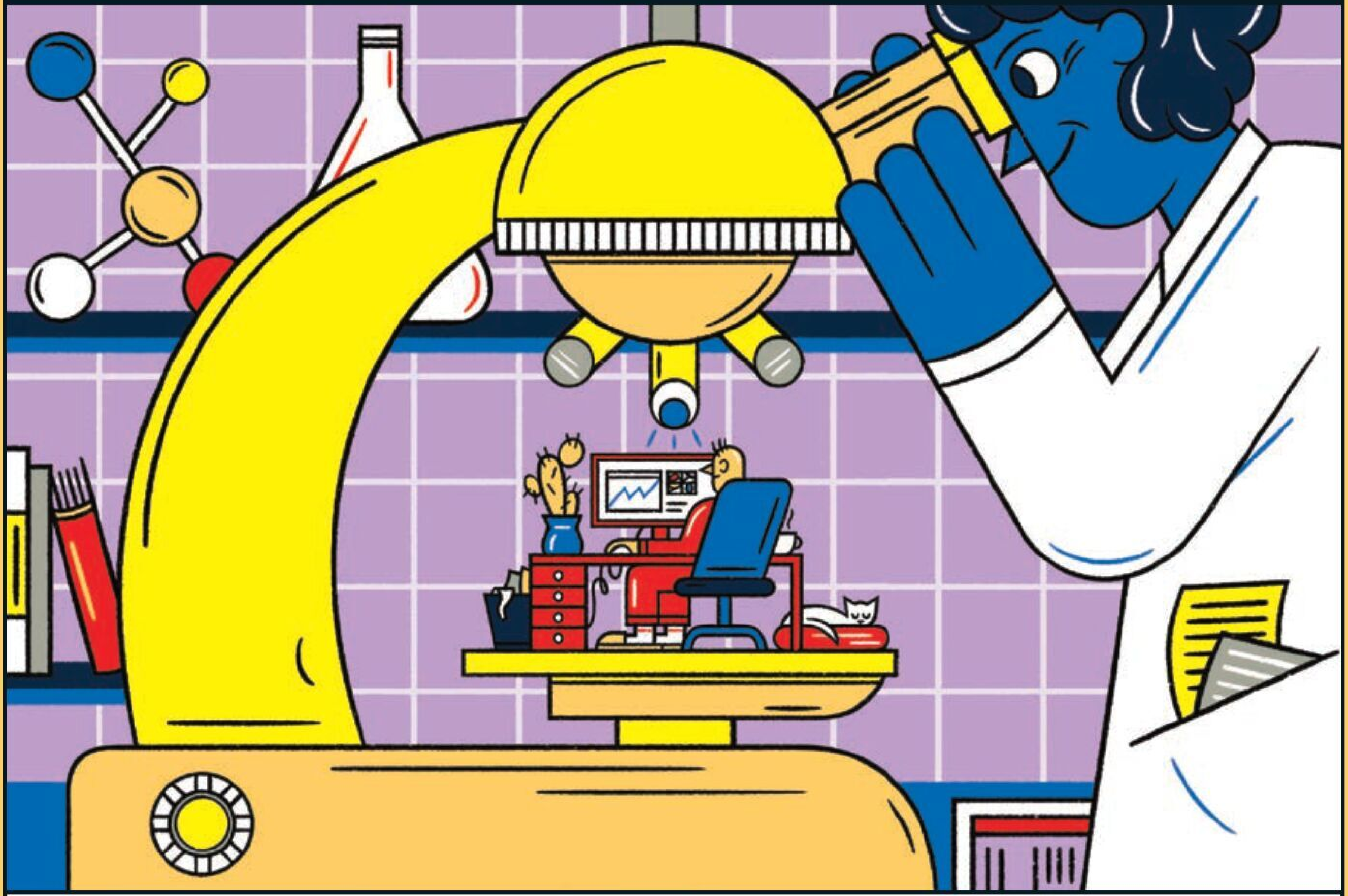


ILLUSTRATION BY LARISSA HOFF

The WFH Experts In Hot Demand

Professors who've long studied remote work are now sought-after business advisers

When Stanford economics professor Nicholas Bloom did his first study on working remotely in 2004, the field was an academic backwater. Less than 5% of all full work days took place at home, making the subject a low priority for business schools and corporate leaders. Then came Covid-19. "In March 2020," Bloom says, "the thing just took off."

As the omicron variant recedes, leaders everywhere are grappling with whether—or how much—to make working from home a feature of their organizations. Should they go fully remote and save on real estate but take a potential hit to productivity or culture? Or demand that workers return full time to encourage teamwork but risk losing talent to more flexible competitors? For many, the hybrid model is the most compelling, but it comes with its own vexing trade-offs.

The professors who study working from home are busy consulting with executives, collecting data, running research projects, writing books, and feeding the discoveries into their MBA courses. "My inbox is exploding daily," says Tsedal Neeley, professor of business administration at Harvard Business School and author of the forthcoming ▶

March 14, 2022

Edited by
Rebecca Penty and
David Rocks

◀ *Remote Work Revolution: Succeeding from Anywhere*. "Even more now because people are realizing remote work is not going away and they are concerned about doing it the right way."

At least 70% of knowledge-industry workers say they want a hybrid workplace, Neeley says, citing employee survey data, so offering such arrangements is becoming crucial to attracting and retaining talent as the trend of widespread job-quitting known as the Great Resignation continues. And fully 20% of staff are what she calls "remote natives" who've joined companies during the pandemic and expect to continue working from home, even once Covid becomes endemic. That leads to a host of complex challenges: Should employees get to choose which days they come to the office? How do you coordinate schedules so the right people are in the same room at the same time? How do you ensure that managers don't play favorites when scheduling or discriminate against remote workers when it comes to promotions and pay raises?

Lynda Gratton, professor of management practice at London Business School, says she wrote *Redesigning Work: How to Transform Your Organisation and Make Hybrid Work for Everyone* to help companies tackle these questions, rushing to complete it in less than a year. Gratton's cover story in the May-June 2021 issue of *Harvard Business Review* caused "a number of publishers to come to me and say, 'Look, you need to say more about how to do this,'" she says. Her book lays out a four-step process to help companies understand the challenges they're facing, imagine new approaches, test those ideas, and execute them. "In my 30 years at London Business School, I've never seen such an astounding opportunity to reimagine work," Gratton says.

Academics like Gratton who say we're experiencing, as she puts it, "the greatest global shift in work for a century," appear to be more in demand than skeptics like Peter Cappelli, professor of management at the University of Pennsylvania's Wharton School. In articles, talks, and his book, *The Future of the Office: Work from Home, Remote Work, and the Hard Choices We All Face*, Cappelli argues that while it's clear most employees want to work remotely, it may not always be in a company's best interest to let them. That's a tension corporate America has yet to resolve.

Last year, tech companies such as Twitter Inc. and Facebook—now called Meta Platforms Inc.—got big headlines by saying many employees could work remotely on a permanent basis. But banks including Goldman Sachs Group Inc. and JPMorgan Chase & Co. still plan to haul most of their people back to the office as soon as possible. Salesforce.com Inc., meanwhile, talked about letting employees go fully remote a year ago but seemed to backtrack in November with an article on its website, "Why Salesforce Is Bringing People Back Together In-Person, Now," by Brent Hyder, the company's president and chief people officer. Which way are most companies leaning today? "I think most are just ducking the issue and hoping it goes away," Cappelli says.

With such a wait-and-see approach, Cappelli says his phone is not exactly ringing off the hook. "I'm 'on the one hand and on the other,' which is not great for consulting," he says in an email exchange. "I had a cover story in *HBR* last fall and heard nothing from it except from academics."

Among the experts, one of the biggest debates about remote work concerns productivity. Most employees say they're more productive working from home, surveys show, but employers are divided on the question. In a 2015 study, Bloom showed that workers at a Chinese call center were 13% more productive working from home, but Cappelli cautions that theirs is not a typical office environment: "In the U.S., I haven't seen any consistent evidence that productivity is up or down."

Such discussions are finding their way into classrooms. "Remote work is just part of everything we teach now," Gratton says. Her Future of Work program at London Business School recently invited the head of technology at an Indian consulting firm to speak about how tech is affecting the workplace, and the classes—appropriately enough—are partly in-person and partly virtual. "I don't think any of the business schools know where this is going to lead," she says.

Over the next few years, as the global experiment with remote work continues, academics will be able to pivot from today's surveys, theories, and predictions to analyzing real-world data. That's an exciting prospect for Bloom, who's eager to find out whether what he calls "choice or coordination" will prevail: Will employees get to choose which days they come in each week? Or will the top brass decide that people can work from home Monday and Friday, for example, but must come in on Tuesday, Wednesday, and Thursday? "My prediction is the coordination battle will win out because when people come to the office they want to be with their colleagues," he says.

While these questions are being fiercely debated, Bloom is convinced that the argument between in-person, all-remote, and hybrid has been settled. After talking to more than 300 companies over the past two years, he's reached some conclusions that confirm his decision to focus his energy on such a hot topic with enormous implications for the world economy. Allowing working from home not only increases productivity slightly, he contends, but also markedly improves employee retention rates, giving organizations all the motivation they need to let employees log on. "That battle is over," he says. "Hybrid won." —*Paul Keegan*

THE BOTTOM LINE The pandemic turned remote work into a pertinent field of study. Now, a new class of academic experts is helping C-suite executives decide whether—or how much—WFH should feature in their organizations.

PHOTOGRAPH BY TIM TAI FOR BLOOMBERG BUSINESSWEEK. DATA: GLOBALDATA

Practicing What They Teach

Schools offering sustainability content are expected to show environmental leadership

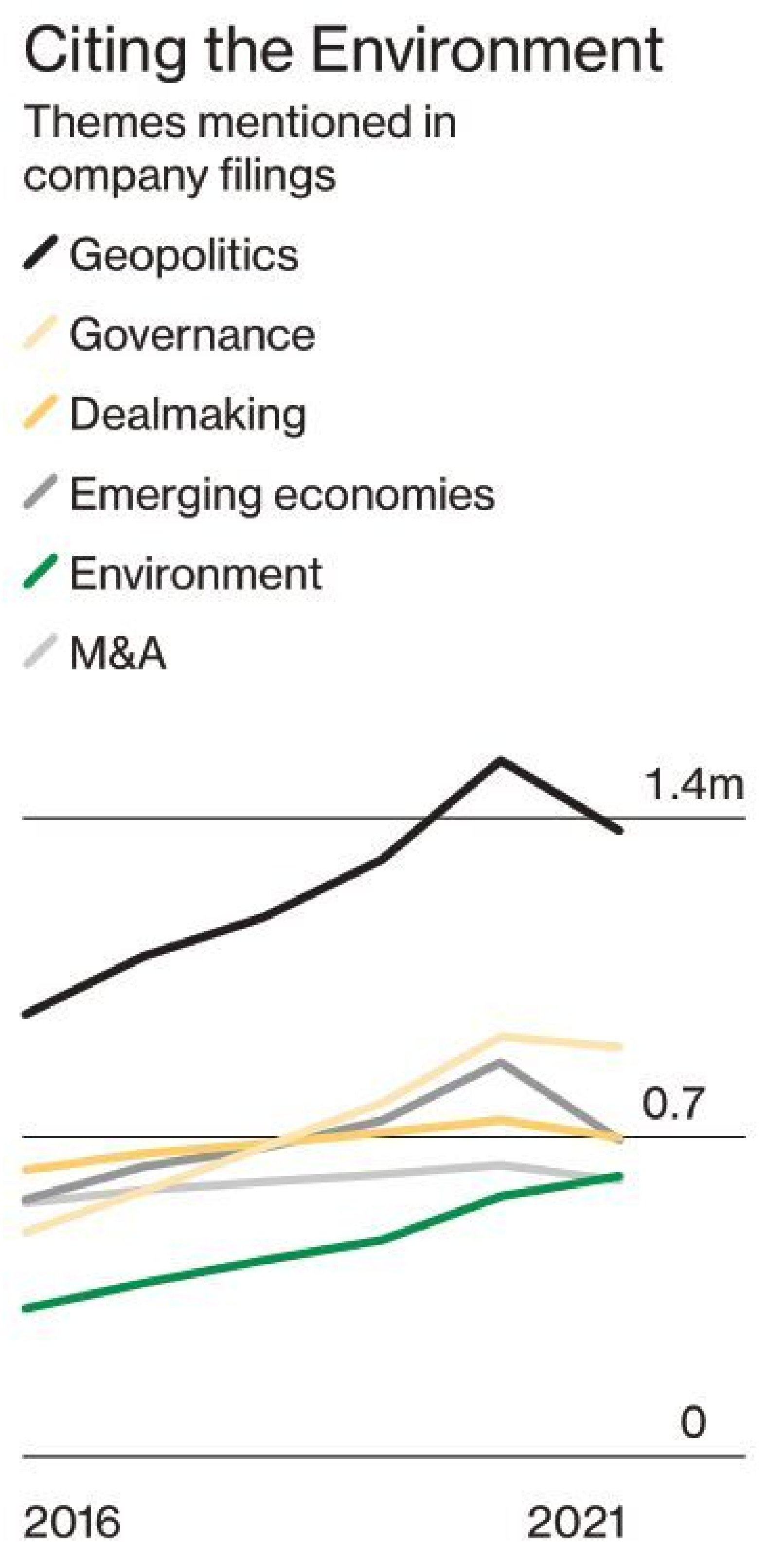
Caroline James says if she'd been told a few years ago that she'd be an MBA candidate right now, "I would have said: 'Absolutely not.'" In 2014, as an undergraduate studying political science and government, she was arrested in Washington, D.C., while protesting the Keystone XL oil pipeline. She was more focused on environmentalism than capitalism.

But after a stint in consulting, James, 28, applied to the Yale School of Management. She wanted to understand more about how the corporate world works—so she could fix it. The school's sustainability club was also a big draw, as was its tie-up with the university's School of Environment.

MBA programs are increasingly teaching sustainability, as big business seeks leaders who can help it clean up. Mentions of the environment have doubled in earnings reports in the past five years; 600,000 cited the term in 2021, according to analytics firm GlobalData Plc. The focus on sustainability means business schools are being confronted with the climate footprints of their programs—and indeed of capitalism—raising the expectation among students that they do more to champion the environment.

Although approaches vary across programs, most have a long way to go, says Giselle Weybrecht, a sustainability consultant who works with business schools. She says sustainability modules largely remain electives and students are still taught to pursue profit above all else. "While business schools are talking the talk, and many are making changes on campus and to their facilities," she says, "the way that they are operating as a school is not fundamentally changing."

● James



Citing the Environment

Themes mentioned in company filings

James, who wants to use her education to work on circular economy solutions that tackle waste, says she's grateful that half of her MBA classes are taken outside the school of management, so she can study environmental issues. But she still finds it tough to fit enough sustainability content in, alongside the fundamentals.

In the U.K., Lincoln International Business School's two-year Master of Sustainable Business Administration program places what are often bolt-on options about how to run a greener business into the core courses all MBA students must take. In 2019, French business school Essec introduced its Rise strategy, which places sustainability at the center of the school's operations. That means drastically reducing its carbon footprint.

Essec's research uncovered that 80% of the school's carbon footprint comes from its students crisscrossing the globe. That presented a conundrum, says Anne-Claire Pache, the dean of strategy and sustainability. "A lot of the pedagogical value of the school comes from this exposure students have in spending time abroad," she says. Essec now subsidizes students who travel by train, rather than plane, and has ended all long-haul travel for course trips. The goal is to reduce its carbon footprint initially by 25%.

Shanghai's China Europe International Business School says it's been carbon-neutral since 2011, achieving that by reducing emissions, planting trees, and purchasing carbon credits to offset its emissions. Darden School of Business at the University of Virginia reached a similar goal in late ▶

◀ 2018 after bringing online a 160-acre solar power array 90 miles east of campus.

Harvard Business School reduced its greenhouse gas emissions by 47% from 2006 to 2019 by conserving energy, scheduling classes closer together, and increasing staff and student awareness of their behavior. “We hope that being surrounded by sustainability on campus, they come to see that as the norm and expect it or create it if they don’t find it in their future organizations,” says Leah Ricci, associate director of sustainability and energy management. HBS is developing a revamped sustainability plan that it intends to release later this year.

Pressure from students may have the biggest impact on schools’ efforts. HBS has a sustainability club with almost 200 members, while the number of students who register their interests with the school as being most eager to focus on business and the environment has increased to almost 45% from around 20% in recent years.

One way for B-schools to do better, says Yale’s James, is for professors to say the quiet part about capitalism out loud. “It would be helpful if, in these classes, we acknowledged that the competitive strategy for companies is to generate the most profit,” she says, and that “we know this isn’t working for our planet.” ——*Chris Stokel-Walker*

THE BOTTOM LINE Business schools are under pressure from students to champion the environment. That means making sustainability a core focus and shrinking the carbon footprint of their program.

A Post-Profit B-School

The dean of Milan’s MIP wants MBAs to focus on the social good companies can do

The world is changing faster than business schools, and some deans—cajoled by students and employers demanding different skills from MBAs—are responding to the shift. We spoke with Federico Frattini of MIP, the Graduate School of Business at Politecnico di Milano, about his plans to introduce a “new generation” MBA this September.

What’s missing from traditional MBA programs?

There’s a chasm between what we teach and what we preach as researchers and management scholars. There’s a lot of momentum around rethinking the foundations of private businesses so they can become actors for positive change. We know this is what society needs from future business leaders. But business schools use a framework that has not changed over the past 40 years. We’ve added sustainability, CSR, ESG, and impact courses—but only as elective modules around a program that remains exactly the same.

How is MIP’s new MBA different?

The program will start with workshops and modules run by The Mind at Work, a London company that specializes in psychology applied to leadership and management. We want to lay the foundation needed for more responsible and purposeful business leaders. Then when the hard skills and core courses start, every week or so there will be a half-day workshop where we’ll take what the students are learning and discuss how these skills can be applied to run organizations with a higher purpose than simply maximizing profits. It’s a continuous conversation that we want with our students, to discuss what they’re learning to generate purpose at the organizational level.

It sounds a bit New Age.

We’re not saying companies must be societal actors or political actors. We want to engage them in a conversation to make them aware that having a meaningful organization can also deliver results to shareholders. If too many people think what you’re suggesting, we’ll have empty classes. But companies that recruit our students tell us, “You’re preparing wonderful, skilled leaders, but they’re not rich enough as human beings.” Too much focus on outcomes really reduces critical thinking, systemic thinking, and understanding complexity.

How will you determine the success of the change?

We shouldn’t be concerned about the numbers. I want to see what the students say at the end of the program. Of course, if nobody enrolls, it means the signs I’ve seen aren’t big enough to justify an investment in an MBA. But it’s important to try. ——*Chris Stokel-Walker. Edited for length and clarity*

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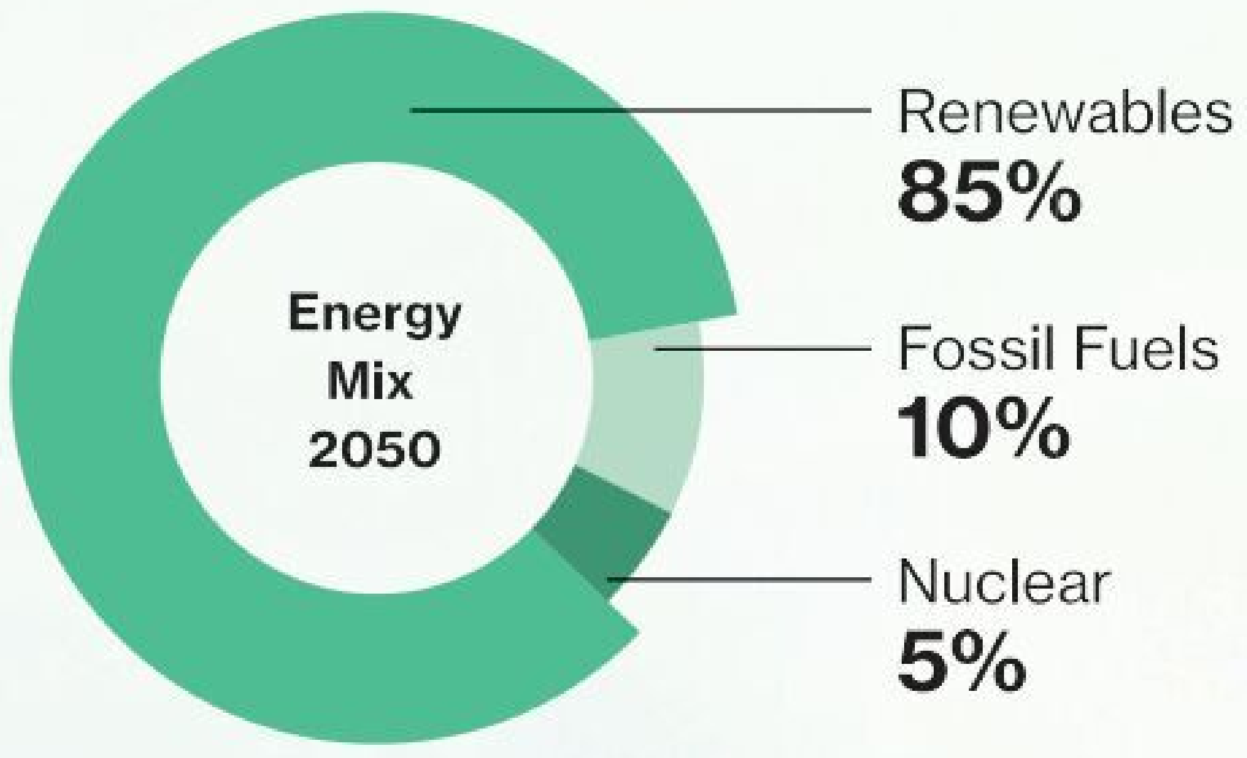

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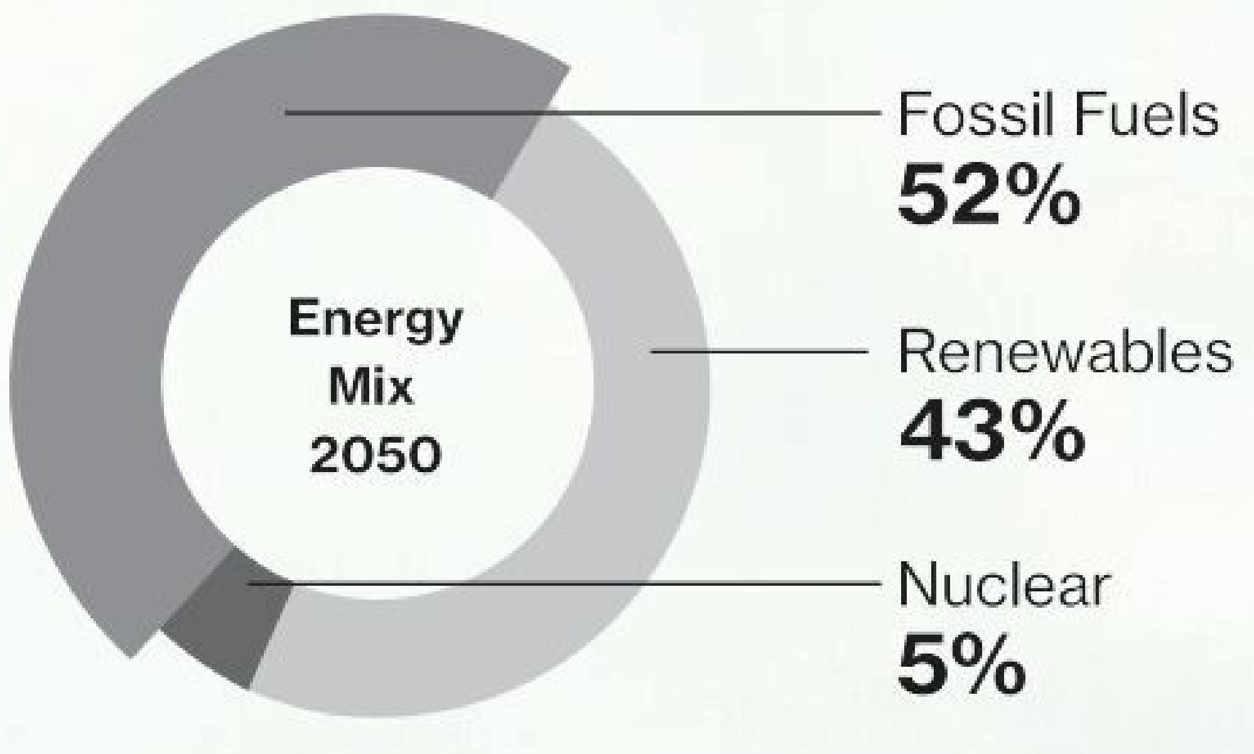
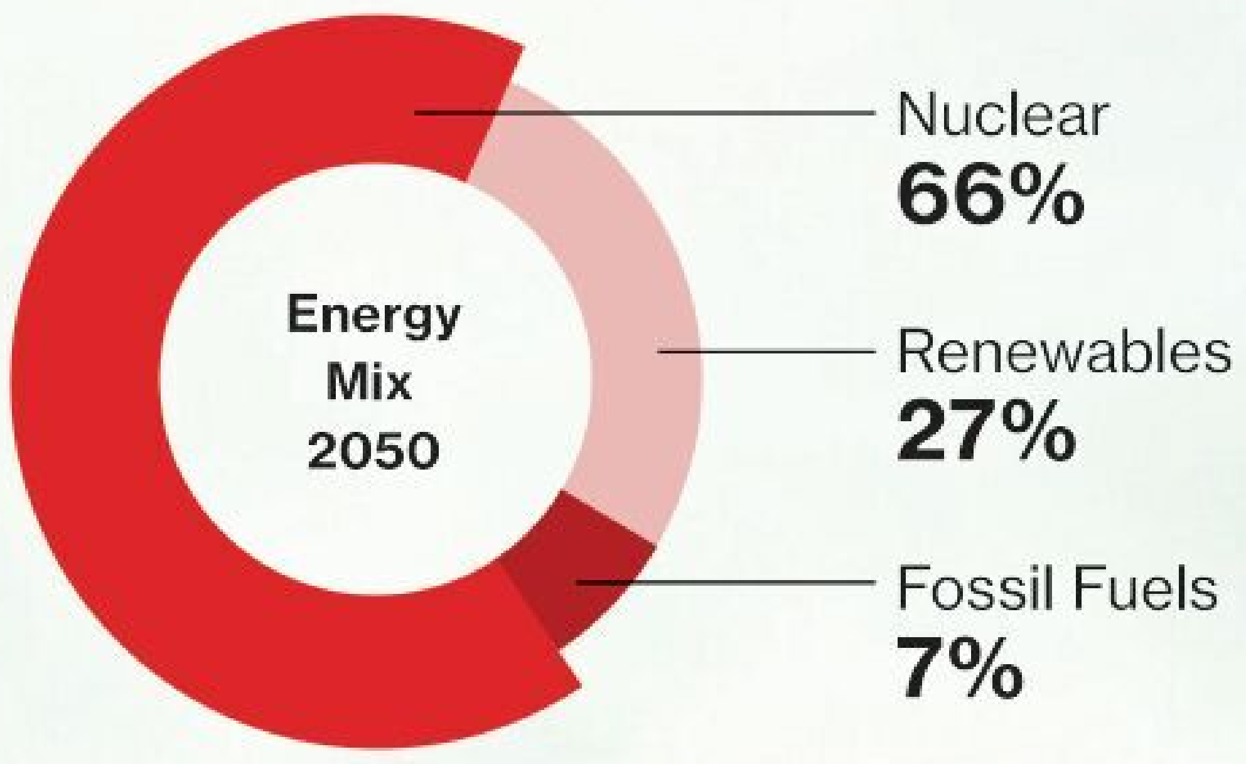


The Nuclear Option



Source: BNEF New Energy Outlook, 2021

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1. IRENA (2021), World Energy Transitions Outlook: 1.5°C Pathway, International Renewable Energy Agency, Abu Dhabi. Note: Assumptions include a Planned Energy Scenario (governments' current energy plans and other planned targets and policies) and a 1.5°C scenario. **Important Information About Sustainable Investing Strategies:** Sustainable Investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies and styles approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio consisting primarily of sustainable investments may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment instruments available to such portfolios may differ. Companies, product issuers and/or manufacturers may not necessarily meet high performance standards on all aspects of ESG or Sustainable Investing issues. © UBS 2022. All rights reserved. Bloomberg and UBS AG are not affiliated.

"I think I have ADHD but I'm
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I was always told that
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this year with Cerebral.
I had no idea this was caused
by undiagnosed ADHD.

in the mail

In two years the telehealth startup Cerebral has built a $4.8 billion mental health business on TikTok ads and readily available medications

By Polly Mosendz and Caleb Melby

For three days in July, Jeneesa Barnes was haunted by voices. It was as if people were just out of sight discussing her flaws, picking her apart, even when she was home alone. The morning of the third day she retreated to her car, thinking she might feel safer in a small, enclosed space. But the voices remained. Something was going horribly wrong. She turned on some foreign-language pop music, trying to drown out the voices amid lyrics she couldn't understand. She started driving.

At some point she stopped and texted: "I definitely feel like my mental health is getting worse not better since I've started cerebral."

Barnes, a 30-year-old former rehab manager working as a waitress in California, had been using the telehealth service Cerebral Inc., which she found through an Instagram ad. For $325 a month, she got access to a therapist, a psychiatric nurse practitioner, and what Cerebral calls a care coordinator—a gatekeeper for the other two professionals. That team was tasked with helping Barnes with anxious thoughts, the result of a combination of never-ending pandemic life and the bipolar disorder she'd been living with for years.

Her first video call was in May. She requested it at 2:17 p.m., was quickly connected with a nurse practitioner, and was done by 2:35, according to medical records she provided. It felt even shorter, Barnes recalls, because the nature of the questions lent themselves only to yes or no answers. The nurse on the call confirmed her bipolar diagnosis and prescribed a five-month supply of Abilify. In her next appointment, Angela Rasheed, the nurse practitioner she'd see for the next six weeks, added major depressive disorder and post-traumatic stress disorder to her ailments. Rasheed prescribed Wellbutrin IR and later added two more prescriptions.

In the three months she used Cerebral, Barnes saw a nurse practitioner four times and was prescribed five medicines: three antidepressants, an anticonvulsant, and an antipsychotic. She also saw a therapist 11 times for an hour each visit—the best part of her experience with the company, she says. As an uninsured person, she would have paid thousands of dollars for comparable traditional care.

As she spiraled, Barnes exchanged a string of messages with her care coordinator, Eileen Davis. "This is very bad. It's ruining my life," she wrote. Davis promised to let her nurse, Rasheed, know. But Davis seemed confused, in particular about Barnes's medication. It was a strange interaction—but texting with Davis was always a little odd, Barnes recalls, and, anyway, getting messages relayed to Rasheed was more important than whether her coordinator remembered every detail of the five scripts she'd been written.

There was a good reason for the confusion: Eileen Davis didn't exist. That was a moniker given to hundreds of Cerebral care coordinators, who interacted with patients like Barnes under the pseudonym, former company insiders say.

The coordinator offered her an appointment with Rasheed in two days. But an internal chat log reviewed by Bloomberg shows that Rasheed decided before the session to terminate Barnes's treatment. Her auditory hallucinations placed her in a new category; Rasheed's notes say she required "in person psychiatric treatment/care." For the first time in three months, a doctor weighed in on Barnes's care to refer her out of Cerebral, the records indicate.

On the day she was scheduled to talk to Barnes for the final time, Rasheed logged on from her home outside Charlotte. She'd joined Cerebral 11 months earlier hoping to help address America's mental health crisis at a company that promised the masses expanded access to care. She found something else, she says: a growth-obsessed startup targeting patients with social media ads and pressuring providers to dispense drugs after too-brief virtual sessions. In time, she says, she was seeing 30 patients a day—four an hour, from noon until after eight. It isn't unusual for nurse practitioners who have psychiatric training to prescribe psychiatric medicine, rather than doctors. But 30 patients daily is twice the typical caseload, according to the American Association of Nurse Practitioners.

When Rasheed told Barnes that Cerebral could no longer help her, Barnes became furious. She hung up the phone before Rasheed could give her the name of her replacement provider. "You guys are the ones who put me in this condition," Barnes says. "And now you're going to send me off? Like, 'Oh, we broke it. Can't do anything now.' "

Her therapist reached out, calling and texting to urge her to use the referral to another provider. In the internal medical record, the therapist wrote: "Therapist provided advocacy."

Two weeks later, Barnes checked herself into a nearby hospital to be treated for her mental health crisis. She's been unable to work since.

Americans' mental health, already brittle, has taken a beating during the Covid-19 pandemic. Laid off, drifting, going to work and school via Zoom, they've become more isolated, depressed, and anxious. The traditional medical system hasn't been up to the moment, but that's no surprise. Even before the pandemic, geography and high costs kept millions from getting the help they need.

Hundreds of thousands of people with mental health issues have found solace in a new breed of telehealth companies that don't just offer talk therapy but also prescribe medications

Seven former nurses say they worried Cerebral wasn't merely meeting a demand but was also effectively creating it

Robertson with his parents in a promotional video

getcerebral.com

after a brief online appointment. And not just antidepressants. Federal rules that had required in-person examinations before the prescription of addictive drugs—including amphetamines such as Adderall and benzodiazepines like Xanax and Klonopin—were relaxed in response to the health crisis.

No company in this business has grown faster or bigger than Cerebral, which operates in all 50 states and in two years has registered more than 200,000 patients. In interview after interview, Chief Executive Officer Kyle Robertson has touted a commitment to "increasing access to high-quality mental health care." But 27 former executives, managers, nurses, and other staff say Cerebral is failing on the "high-quality" part of the goal. In its hunt for explosive growth, they say, it has made appointments too short, set follow-up sessions too infrequently, advertised too aggressively, pushed prescriptions too hard, and paid front-line staff too little. In some ways the company, based in San Francisco and funded by venture capital, follows the classic Silicon Valley playbook: identify opportunities among changing rules, move fast, drive employees hard. In psychiatric telehealth, the stakes are heightened by the prospect of patients in crisis and the risks of addictive drugs.

Cerebral declined to make executives available for interviews for this story and said it wouldn't be appropriate to discuss individual patient's experiences. Through a spokesman, Don Campbell, it released this statement: "Given our commitment to quality and access to care, we strongly believe that we can serve almost all patients who suffer from mental health conditions. We have safety mechanisms in place that no brick-and-mortar clinic, much less other telehealth companies, have in place." The company said in a statement that its policies aim to "try to reduce the amount of controlled substances used and the overall reliance" on medications. It declined to disclose how many of its current patients receive prescriptions.

Cerebral treats a range of conditions, in many cases without prescribing pharmaceuticals. But many patients find the company while looking online for the medications used to treat attention deficit hyperactivity disorder, or ADHD. Search "buy Adderall" in Google, and the first hit might be a Cerebral ad promising "ADHD Meds Prescribed Online Treat ADHD Fast & Affordably." Two people familiar with the figures say that in some states where Cerebral prescribes amphetamines, a majority of new clients enter through its ADHD portal. The company said that less than half of new clients do and that of patients who self-identify as having ADHD, a minority will actually receive the diagnosis from a clinician.

Demand for ADHD drugs is booming in the U.S. In the second quarter of 2021, amphetamine sales jumped more than they had in almost a decade. In addition to people with clinical ADHD, bleary-eyed students and overworked middle-aged professionals have turned to Adderall and similar drugs as a salve. Colleges say abuse of the drug is rampant on campus, where students use it to power through both studying and partying.

Cerebral makes it easier than it's ever been to secure first the diagnosis and then, in the states where Cerebral can prescribe stimulants, the meds. For the committed drug-seeker, it's easy to find guidance online about how to answer any nurse's screening questions. Like other telehealth companies, Cerebral has a relationship with an online pharmacy that can mail the drugs straight to your door.

Seven former nurses for the company say they worried that Cerebral wasn't merely meeting a demand but was also, by making access so easy, effectively creating it; they described a fear that they were fueling a new addiction crisis. One researcher, Stephen Wood, an acute-care nurse practitioner who worked in Massachusetts at the height of the opioid crisis, is even more blunt. Looking at the Cerebral website, he notes in particular that nurse practitioners are referred to as prescribers rather than providers or caregivers. "It doesn't sound like they care about your well-being," says Wood, now a visiting researcher at the Petrie-Flom Center for Health Law Policy, Biotechnology, and Bioethics at Harvard Law School. "It sounds like they care about prescribing you these medications." The company said it uses the term prescriber to minimize confusion among the varied services it provides.

Robertson launched Cerebral in January 2020. At the time the company treated only anxiety and depression, prescribing drugs like Lexapro and Prozac. When the pandemic hit, the U.S. Drug Enforcement Administration, recognizing that many patients could no longer get to their doctors, relaxed rules in the Ryan Haight Act, named for an 18-year-old who died of an overdose in 2001 after buying Vicodin online. The changes meant patients could get controlled substances without meeting a prescriber in person. Cerebral soon added ADHD treatment to its menu of services. In October, Simone Biles, the star Olympian who ignited conversations around ▶

PREVIOUS SPREAD: CEREBRAL TIKTOK (21). THIS SPREAD: CEREBRAL/YOUTUBE

“Now you’re going to send me off? Like, ‘Oh, we broke it. Can’t do anything now’ ”

Jeneesa Barnes
Former Cerebral patient

PHOTOGRAPH BY MAGGIE SHANNON FOR BLOOMBERG BUSINESSWEEK

◀ mental health when she temporarily withdrew from competition in last year’s Summer Olympic Games, was announced as Cerebral’s chief impact officer. Two months later investors led by SoftBank, the Japanese investor behind WeWork Inc. and Uber Technologies Inc., plowed $300 million into the company, and Cerebral was valued at $4.8 billion.

And it’s Uber that several former employees mention when describing the company’s attitude toward its workforce. “Counselors, providers, they feel like Uber drivers, and there’s a reason for that,” says one former manager. “They’re being paid less and being asked to do more.”

Cerebral runs on subscriptions. New customers are enticed with discounted rates—as little as $30 for the first month—and choose among three tiers of service ranging from $85 to $325 a month. The cheapest gets you an initial visit with a nurse practitioner who can prescribe drugs and monthly check-ins with a care counselor, a title that suggests some level of licensure but requires none. At higher price points the care counselor is replaced by a licensed therapist. Initial appointments with Cerebral prescribers are normally 30 minutes, and 15-minute follow-up appointments are typically set three months out.

The customer-is-always-right approach is laudable if you’re a car service or a grocer. If you’re a health-care provider, it flips the basic tenets of medicine upside down. Doctors and nurse practitioners learn to make the best calls they can with the information they have, and that doesn’t always mean patients get the drugs they ask for. At Cerebral, choosing not to prescribe can leave clients irate, triggering bad reviews. When patients ask, the company will often pair them with a new prescriber, nurses and coordinators say. The company said it’s merely providing patients with an in-house option for a second opinion. “We do monitor the number of transfers requested by patients to minimize ‘doctor shopping,’ ” Campbell, Cerebral’s spokesman, said in an email.

In meetings with managers, Chief Medical Officer David Mou has said 95% of people who see a Cerebral nurse should get a prescription, according to two people familiar with his remarks. He was equally emphatic, according to the former employees, that the rate cannot be 100%—saying the company would be a “pill mill” at that rate. Campbell said the 95% figure “refers only to the subset of patients who have received a clinical mental health diagnosis that warrants a prescription as first line treatment,” but the former employees say no such distinction was made. Cerebral said, through a letter from its lawyer, that it does not set any prescription target for its clinicians. “Regarding prescriptions,” the letter said, “the criterion for prescribing medical professionals is that they follow evidence-based and clinical-quality guidelines in making diagnoses and deciding whether medication is warranted.”

Campbell originally said that “less than half of patients are receiving prescriptions.” After subsequent questions, he later corrected that to say more than half have received prescriptions. He declined to be more specific or to say whether the figure referred to the company’s current roster of patients or to everyone who’s had an appointment since Cerebral’s launch, when it couldn’t prescribe controlled substances.

Getting patients to come to Cerebral is as easy as posting on social media. The company markets on Instagram and TikTok, often with variations on the message, “Have you ever thought you might have ADHD?” Some ads suggest that symptoms as common as difficulty with multitasking, focusing, and stress, as well as poor planning, procrastination, and disorganization can all be symptoms of ADHD. (They can; they can also, as one former Cerebral nurse says, “simply be attributed to being an adult in 2022.”) In another ad, a woman shakes her leg; restless leg syndrome can be a symptom of ADHD. In a third, a woman is asked: “Yo, bro, who got you smiling like that?” She then begins dancing with a box of prescription pills. Campbell said, “The majority of patients coming in thinking they have ADHD are actually not diagnosed with the disorder, and therefore do not need to be treated with a controlled substance.”

Laura Loray, a psychiatric nurse practitioner and clinical therapist based in New Jersey, is on TikTok as ThatPsychNP, dispensing information about ADHD, anxiety, and prescription drugs to her 95,000 followers. She says she’s been inundated with videos created by Cerebral and by influencers on the company’s behalf. She falls squarely into one of Cerebral’s target demographics: a woman with ADHD, diagnosed later in life, and extremely online.

“Initially, my impressions were, if this is a good company, this could be very beneficial,” Loray says. “We don’t see education telling people how to access these services. I was happy to see that initially.”

Loray’s opinions of the service soured after she saw a viral video posted by another TikTok creator, Katie McAleer, who says she was refused a refund after the app was unable to match her with a prescriber in her area, as was required in her state. The video tallied 270,000 views, and a follow-up was seen 2.4 million times. She received a refund after the first post went viral. McAleer’s video appears high in a search for “Cerebral” on TikTok, as does a sponsored post from influencer Samantha Swanson. Swanson does a tumble onto her bed, discusses her mental health, and then recommends that her 1.2 million followers check out Cerebral. When the company pays creators like Swanson for content, the videos are delineated with a small “#cerebralpartner” disclosure in the caption of the post. One ADHD content creator, Reece Palamar, has posted about a half-dozen Cerebral-related videos to his almost 600,000 TikTok followers. Swanson didn’t respond to an emailed request for comment, and Palamar declined to comment for this story.

The spots starring Biles are about anxiety or about mental health in general. Her decision to temporarily withdraw from competition in the Summer Olympics, saying she had to put her mental health first, was a clarion call for a world devastated and exhausted by the pandemic. In the following days, Cerebral ran a “Summer Olympics Sale,” a mobile campaign that blasted phones with an offer of as much as 70% off the first month of the service. Campbell said in his email that it’s “absurd and offensive to suggest that this promotion had ANY connection to Ms. Biles’ personal participation.” Biles declined to comment.

When the company announced Biles would be joining as chief impact officer in October, many former employees, already concerned about the Cerebral model, expressed dismay. “I cried real tears when she became the face of the company,” says one former care coordinator, who is Black and who was already disillusioned after being asked to engage clients under the White-presenting Eileen Davis avatar. “Some little Black girl who idolizes Simone Biles will see her face on Cerebral’s stuff and want to get health care and end up not getting the help she needs.” Speaking of the Eileen Davis avatar, Cerebral said through Campbell, “While we regret that it made an employee feel uncomfortable, it has been updated and fixed.”

A former care counselor wonders whether Biles knows what the company’s services actually look like

Kyanna Dixon, a care counselor for four months in 2021, wonders whether Biles knows what the company’s services actually look like. “It’s not doing what it needs to do,” Dixon says. “These people are like, ‘Cerebral is amazing,’ and I’m like, ‘Do you even know?’ ”

Disconcerted staff can be found at every level of Cerebral’s organization. Several former employees who expressed concerns declined to speak on the record for fear of retribution or because of concerns about violating nondisparagement agreements. All of them believe that telehealth has a vital role to play in filling the gaps in America’s healthcare system but contend that Robertson has ditched a serious mission to chase growth.

Others shared their thoughts openly. Carlen Zhu joined the company as a coordinator in August, just as Cerebral was retiring the Eileen Davis alter ego. “It is pretty bizarre to make people believe they’re talking to someone they’re not talking to, and it was strange to introduce myself to clients acting like I was ‘taking over’ from Eileen when she wasn’t a real person,” Zhu says. She had a roster of about 1,000 patients and was so overwhelmed on her first day that she cried. On an average day, she estimates, she fielded about 100 inbound messages; in a typical week she heard from at least a few people in crisis.

The expectation was that every customer would hear back from Cerebral within 24 hours; failure to meet that was considered a “breach” by the care coordinator. For Zhu, that meant weighing, in each interaction, “whether I should prioritize a quick response or a quality response.” She lasted three months. “How can you expect us to deliver quality care to 1,000 people?” she asks. “There was such a disconnect between the people on the ground and what the higher-ups were doing. They were making decisions that weren’t in the best interests of the people making the money for them.”

For Dixon, the last straw came when she heard the company was expanding into treatment for even more ▶

◀ complicated conditions, including substance abuse issues. The idea of dealing with patients going through withdrawal, virtually, was too much. “You can literally die from alcohol withdrawal,” she says. “That’s when I was like, ‘I do not want to do this at all.’ ”

As a recruiter of prescribers for Cerebral, Stephanie Leonard saw how nurses struggled under the company’s model and, as a member of its headquarters staff, worked closely with Robertson. “The company would be much better off outside of his hands,” says Leonard, who left in June. “He just wants to make money. That’s his end goal. Whenever he talks about ‘providing quality mental health care,’ his eyes are dead. He does not care.” Campbell said Robertson would like to address the criticism in an interview, then declined to make him available. In a statement, Robertson said he is working with an executive coach. “I am constantly looking for feedback from the people around me, so that I can improve as a leader for Cerebral,” the statement said.

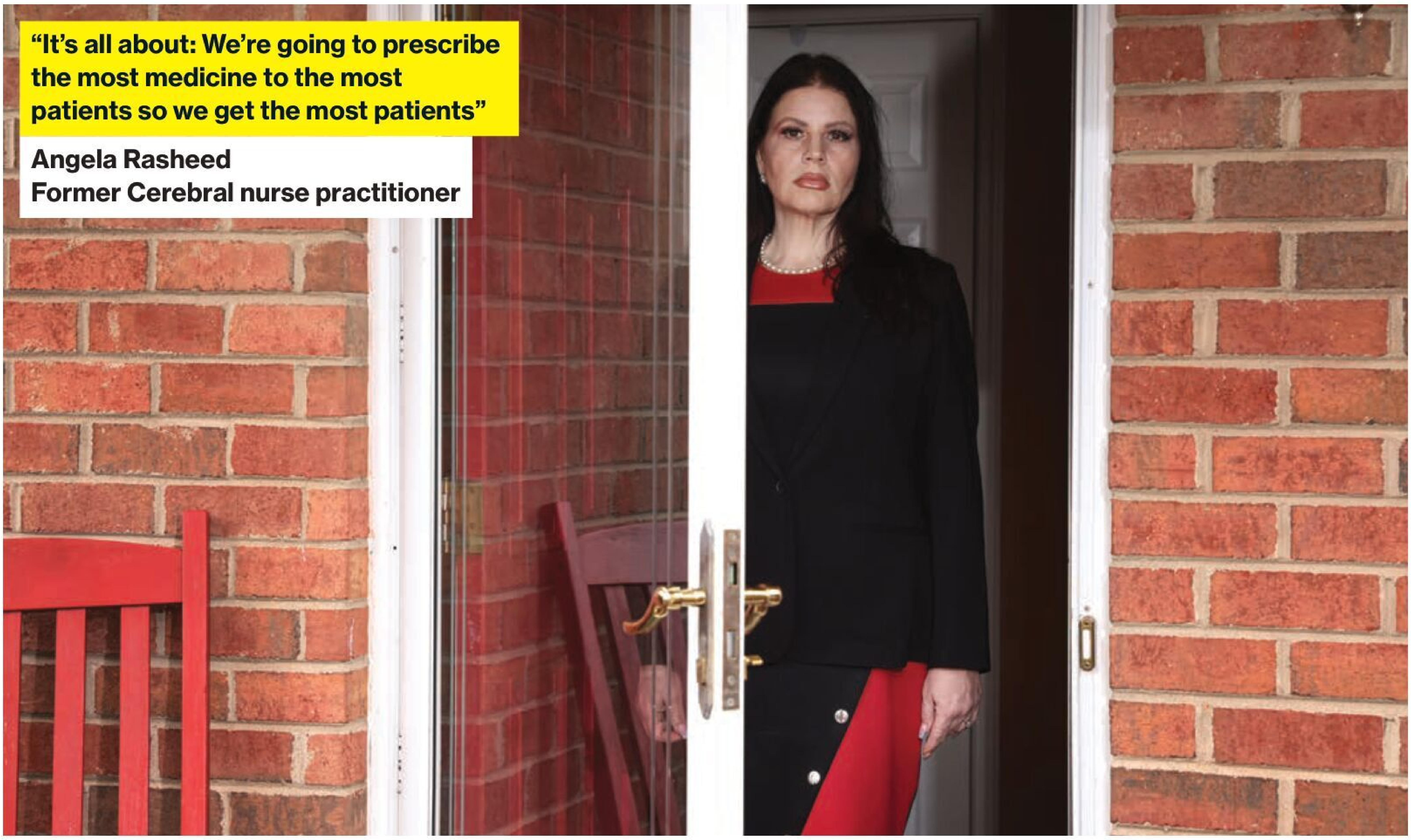
Robertson, who’s 30, grew up with three sisters in a sprawling Tudor-style home in Cincinnati. He was one of four valedictorians at his high school; another, Claire Bernard, remembers him as “a pretty goofy guy and just naturally smart.” They’ve remained friends, and she says her father invested in Cerebral as soon as that was possible.

After graduating from Columbia with degrees in East Asian studies and business management, Robertson did a stint as an intern with the Obama White House’s National Economic Council before becoming a management consultant at Accenture. From there he went to the Wharton School of the University of Pennsylvania. There, Robertson launched *StartU*, a publication that profiles startups at top universities. It was an early opportunity to run a remote enterprise and gave him a window into high-growth companies. “Kyle is a flame and constant source of energy,” says Matthew Wozny, who ran *StartU* at Harvard.

In Robertson’s telling, Cerebral’s genesis is rooted in his own struggle with anxiety and depression as a gay man. “Finding the right care was nearly impossible,” he says in a Cerebral TV ad, sitting on a couch between his psychiatrist father and psychotherapist mother. “As mental health professionals, we could help him navigate the system,” says his mom, Rita Robertson. “Not everyone has that,” Kyle chimes in, adding that Cerebral cuts patients’ wait times and provides affordable service, with the ability to get medication prescribed and then delivered to a client’s door.

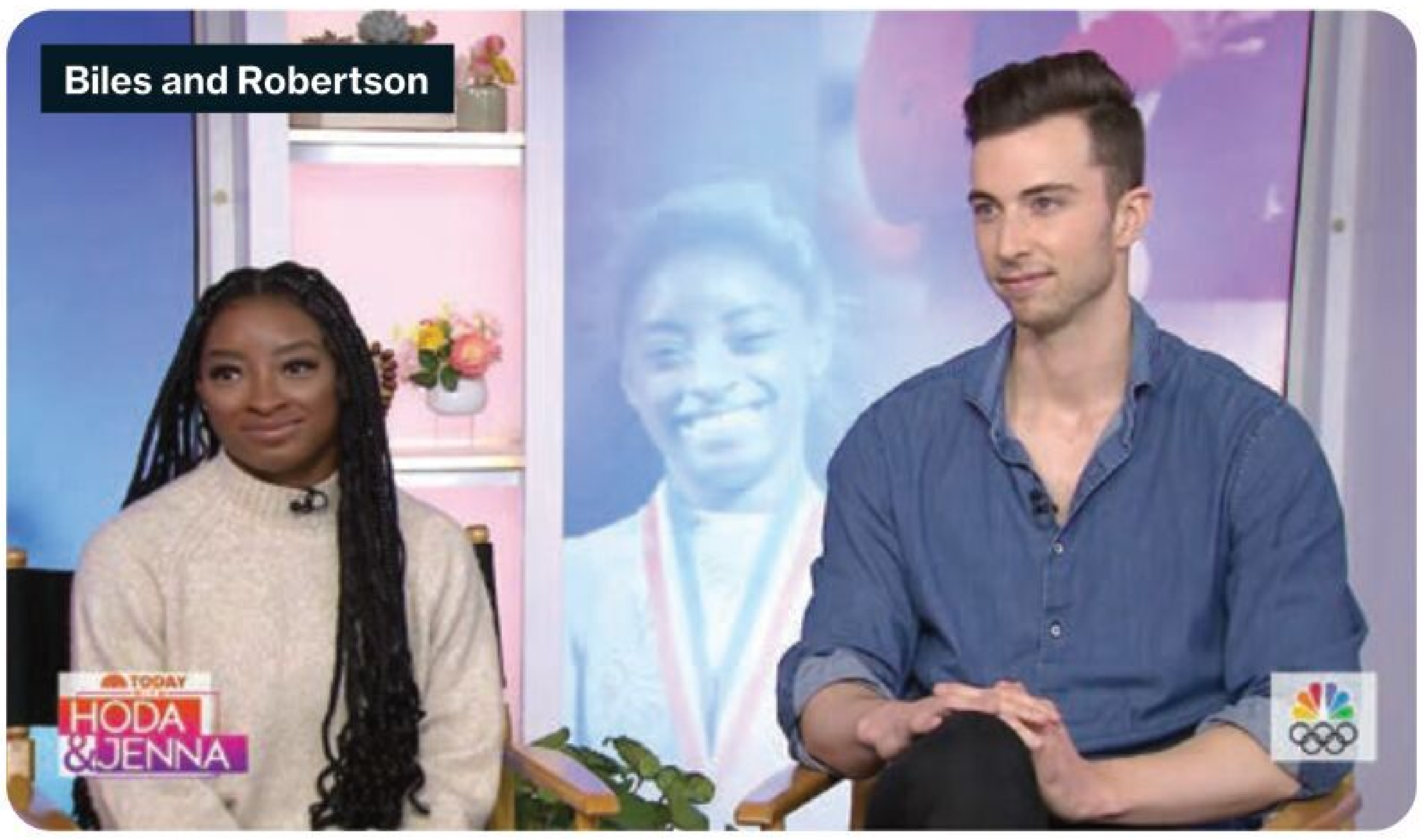
Robertson founded the company with Ho Anh, a medical doctor who previously worked for Hims & Hers Health Inc., the Viagra-by-mail company. Former employees attribute the Cerebral aesthetic—tastefully branded pill bottles, snugly packed in tidy boxes—to Anh’s time at Hims & Hers. He was gone by February 2021. Anh didn’t respond to multiple requests for comment.

The pace of departures is stunning, considering the company’s rapid growth. Cerebral quadrupled its valuation from June to December 2021 alone. Internally, conversations center on when the company will list on public markets, not if. And yet in early 2022, Cerebral has lost its vice president for clinical operations (a tenure of 18 months), senior manager



“It’s all about: We’re going to prescribe the most medicine to the most patients so we get the most patients”

Angela Rasheed
Former Cerebral nurse practitioner


Biles and Robertson

for clinical operations (13 months), and compliance manager (14 months), postings on LinkedIn show. Employee turnover information is confidential, Campbell said.

Former employees often attribute exits to Robertson himself, describing him as condescending, incapable of fielding criticism, and prone to showing up unannounced to video meetings to dress down employees. Because he has no medical background, the habit especially bothered licensed clinical staff. Some employees told their managers they wanted less face time with Robertson; in an effort to improve morale, some managers tried to oblige.

Leonard says her job, hiring providers to fuel Cerebral's expansion, was a constant struggle, because dozens of new hires departed before training was finished and dozens more fled amid concerns about the company's prescribing practices. Robertson, unhappy with her team's progress, had been checking their calendars and asking managers about gaps in their schedules, Leonard says. Another executive eventually advised the recruiters to fill their calendars with appointments even if they had no interviews scheduled. Leonard left after nine months.

In early August, Robertson decided the company needed to strip salaries and benefits from more than 200 therapists and moved to make the changes rapidly, over the protests of some executives. Therapists who didn't quit were now paid by the session—$40 to $45 per patient. The company's head of HR, hired just a week before, quit immediately when the cuts were announced.

Angela Rasheed, Jeneesa Barnes's prescriber, had been among Cerebral's top earners, reflecting her demanding schedule. She was terminated in September amid a dispute over her billing practices. She'd billed for the time she spent on paperwork during the windows when patients canceled and for writing prescriptions on behalf of other nurse practitioners who evaluated patients but lacked the necessary licenses to prescribe. The company called her billing fraudulent. The assertions befuddled Rasheed, who'd been paid a retention bonus six days earlier. She says that her manager encouraged her to bill the company in such a manner and that Cerebral never quantified or attempted to collect the money it alleged she owed.

Her critique of the company matches that of many other former employees: "You cannot effectively diagnose somebody with ADHD in a matter of 30 minutes," she says. "It's all about: We're going to prescribe the most medicine to the most patients so we get the most patients. It's just about quantity and not quality of care." Cerebral characterizes her as a disgruntled ex-employee and an unreliable narrator.

Cerebral works effectively for patients with existing diagnoses who are seeking quick and easy online care, like Kristen Pearson, a graphic designer based in North Carolina. She was able to get help for anxiety related to her ADHD—she'd been diagnosed years earlier—when she didn't have insurance. She initially planned to see an in-person psychiatrist, but the app offered a speedier process. For $85 a month, she got a care counselor she clicks with and a nurse who spent almost an hour on her initial visit. Pearson recently obtained health insurance through the Affordable Care Act marketplace. She plans to leave Cerebral soon because her nurse practitioner will be joining a local in-person medical office, where Pearson's appointments will be covered by insurance.

Trustpilot Inc., a review website, features a slew of positive reviews from customers happy with their Cerebral experience. So does TikTok. In one post, a woman gleefully opens a medication in her car, rifling through the cute packaging.

This year, the biggest threat to Cerebral's continued growth might be the possibility of the DEA eventually reinstituting pre-pandemic rules around prescribing controlled substances in person. That wouldn't hurt only Cerebral; it could leave many patients of telehealth services functionally stranded, unable to get refills. But even before the pandemic there were discussions about changing the Ryan Haight Act, and telehealth companies, among other interested parties, now see an opportunity to make some of the rollback permanent. Cerebral has joined more than 300 other companies and organizations in calling for Congress to extend the telehealth waivers for two years. Telehealth is effective for patients "who have a condition that warrants the prescription of a controlled substance," Campbell said. "We feel strongly that providers need to be able to use their independent professional judgment to prescribe medications as needed, including controlled substances when clinically appropriate."

Cerebral's critics don't disagree. That includes Barnes. She now relies on in-person psychiatric care after getting insurance through California's public marketplace, and her mental health is under control. Cerebral eventually refunded the $829 she'd spent with the company, then politely asked her to consider removing a scathing review she'd posted. "If you would be willing, we sincerely appreciate you updating or removing your Trustpilot review," a coordinator wrote. Barnes has left the review up.

Although her experience was harrowing, she believes telehealth fills an important need, and she feels a kind of sympathy for the Cerebral staff who worked with her. "If you send someone to do a job and you don't give them the right tools," she asks, "how are they going to be able to do it?" Ⓑ

FROM LEFT: PHOTOGRAPH BY TRAVIS DOVE FOR BLOOMBERG BUSINESSWEEK. NBC TODAY SHOW/YOUTUBE

SPUN OUT

Peloton's high-intensity sprint to nowhere

By ***DRAKE BENNETT***
and **MARK GURMAN**
Illustration by ***MAX GUTHER***

Up until a few years ago, it was safe to assume that someone using the word "peloton" was talking about either competitive bicycle racing (the term refers to the main pack of riders) or a French-speaking country's military (it means "platoon").

That assumption no longer holds. Peloton Interactive Inc. has ascended into the pantheon of companies that have eclipsed their names, sitting alongside Facebook (Harvard's freshman directory), Starbucks (the first mate in *Moby Dick*), and Google (a very big number spelled "googol"). Six and a half million people use its exercise bikes and treadmills and take its online classes. Its cultural footprint is even larger: Those classes are plot points in television dramas and are parodied on *Saturday Night Live*. Peleton's instructors are celebrities, with wellness consultancies and clothing lines. President Joe Biden fought with his security staff to bring his Peloton bike to the White House. The name has become a verb and a Rorschach blot: for the possibilities of digital communities, for the lifestyle changes wrought by Covid-19, for the cultishness of curated high-intensity exercise, and for the prospect of the rich and fit getting even fitter from the comfort of their pool houses.

Peloton has also, however, become a test case for the brittle link between attention and financial success. For a few months during the pandemic, there was a sense that the company might represent the future of fitness: In December 2020 its share price peaked at $160. Today, as life begins to return to something resembling pre-Covid, the stock hovers around $23 a share, and demand for Peloton's machines and content has dropped. On Feb. 8, co-founder John Foley stepped down as chief executive officer, and the company announced it was laying off 2,800 employees, or one-fifth of its workforce, amid other severe cost-cutting measures.

If Peloton's story thus far were a Peloton class, it would be a high-intensity one, perhaps even a Tabata ride. Everyone would pedal as fast as they could, recover for not long enough, then do it again, as a charismatic figure on the screen urged them on with promises of transformational personal growth and of the massiveness of the total addressable market of subscription fitness. Midway through, the instructor would announce that the 20-minute class would actually go for an hour. Here and there, riders would injure themselves. There would be technical issues with the machines. At the end, right after recommending a five-minute post-ride stretching class and intoning his mantra—"We're not a stationary bike company, we're not a treadmill company, we are an innovation company that is at the nexus of fitness, technology, and media!"—the instructor would announce his transition to a new role at the company. It would be exhilarating and entertaining, but perhaps not a ride you'd want to do every day.

The idea for Peloton came from an expensive habit. John Foley was a peripatetic tech executive who had helped Barnes & Noble Inc. develop the Nook e-reader. He was also a devotee of immersive, branded exercise classes, whose studios began to appear in upscale enclaves all over the U.S. in the mid-2000s. ▶

◀ The best-known of them was probably SoulCycle, which took the concept of a spin class—stationary bikes, propulsive music, an enthusiastic instructor announcing how fast to pedal and where to set the resistance on the wheel—and infused it with a New Age identity. There was also Barry's Bootcamp, which wedded treadmill workouts and weights, replacing the psychological brutality of an actual military boot camp with a more affirming ethos; Pure Barre, which drew on ballet; and Orangetheory Fitness, which has something to do with heart rate zones. Foley and his wife were the kind of fitness-focused urban professionals who structured their life around these classes, spending their ample disposable income (classes run almost $40 per session) and scarce leisure time on them.

But after John and Jill had their two kids, it was harder to find time for the classes and harder to get into the ones with the most popular instructors. What if we didn't have to leave the house to go to the classes, Foley wondered, and what if the classroom could be infinitely large? As he would describe it years later, at the TechCrunch Disrupt conference in 2018, "I knew from going to the boutique instructor-led group fitness classes [that] there's something magical that happens in this room, with the instructor, and the other people, and the energy, and the music, and the motivation—the whole program that is a class." Why not digitize that and bring it home, the way Netflix Inc. did with other kinds of programming? (Foley declined to comment for this story.) From his time creating the Nook, and from a job he'd had during and after college running the assembly line at a candy factory (he oversaw Skittles and Starburst production for all of North America), he felt as if he knew enough about manufacturing to develop a high-end bike.

The idea's promise wasn't immediately evident to the investors Foley pitched after starting his company in 2012. They were dubious of the size of the market and about Foley's dream of producing not only the classes but the bikes. Many of them also told him, as Foley would later reminisce, that if he ever actually did manage to manufacture a bike, they'd love one for their own home gym. He funded the first prototypes on Kickstarter.

It didn't take long for the company to find a committed user base. By 2017, 108,000 households were paying $39 monthly for Peloton's connected fitness subscriptions. Two years later, it was half a million. Over the same period, total revenue rose from $219 million to $915 million. In the prospectus for its 2019 initial public offering, Peloton pointed to its 12-month retention rate of 95% as evidence that its product was "engaging-to-the-point-of-addictive." Foley predicted that Peloton would be a trillion-dollar company.

For those outside the pack, however, the appeal could be befuddling. This was a $2,200 stationary bike—10 times what a decent alternative would cost—whose content cost another $500 a year. The company tried to address this, cutting the price of its bike over time to $1,500, teaming with the financing company Affirm Inc. to provide an installment plan, and offering digital subscriptions that don't require the purchase of the bike at all.

Even so, a genre of online mockery developed to snark the company's television commercials, in which customers pedaled away in dedicated Peloton rooms with million-dollar views. "You might ask why the windows in front of these Pelotons are so small," read one Twitter parody caption. "Unfortunately space on the yacht is limited and the gym is near the waterline. We manage." A 2019 holiday TV ad that presented itself as a video made by a young mother to thank her husband for the life-changing gift of her spin bike became the company's first public-relations debacle. The woman's manic riding, while wearing a wide-eyed expression somewhere between apprehension and terror, was interpreted by much of social media not as a testament to her deep emotional bond with her connected exercise device, but as the plea of a hostage to body-image expectations chained to a high-tech hamster wheel.

In the six months after Peloton went public in September 2019, the stock price bounced around, reflecting, in part, broader doubts about whether the success would last. Peloton continued to add users, but it was paying dearly for them. In the quarter ended Dec. 31, 2019, it spent $161 million, or a little more than a third of its revenue, on sales and marketing. Like lots of buzzy tech unicorns, it lost money.

With the pandemic, though, suddenly the choice for potential consumers wasn't between a Peloton and a gym membership; it was between a Peloton and nothing. By the end of 2020, 1.7 million households had Peloton machines and were paying for subscriptions. Over the next year, the company added a million more. The pandemic, Foley insisted, wasn't fueling a fad; it was giving people the chance to see how much they had always needed to be members of a high-end virtual fitness community. "When I hear Peloton being a Covid story in the press, it annoys the crap out of me, because what we're building is here to stay, and it's going to grow," he said at the Goldman Sachs Builders + Innovators Summit on Oct. 15, 2020. The recent growth, he declared, "is an acceleration of the inevitable." Inside the company, things felt heady. "There was a massive push to hire very quickly, to grow and kick off new projects," says a former executive who spoke on the condition of anonymity to avoid jeopardizing future career prospects. "It felt like there was nothing but tremendous growth ahead of us."

> "It felt like there was nothing but tremendous growth ahead of us"

It wasn't a future Peloton was prepared to meet, especially as the global supply chain convulsed. In December 2020 the company announced it was acquiring the fitness-machine maker Precor Inc. to buttress its manufacturing capacity. In May 2021 it announced it was breaking ground on a $400 million factory in Ohio. Even so, Peloton fell far behind on orders, and wait times lengthened. Foley pledged $100 million to clear the logjam, in part by shipping bikes by air. A recent article in *FT Magazine* revealed that when the company discovered that bikes were arriving from its overseas plant with rust on them, staff were instructed to spray the bikes with a chemical cover-up and ship them out. (The name for this initiative was Project Tinman. The company said it had no impact on the performance of the bikes.) Along the way, aging alpha males on not one but two TV shows, HBO's *Sex and the City* reboot and Showtime's *Billions*, suffered Peloton-induced heart attacks.

In the real world, problems were emerging about the safety of Peloton's line of treadmills, which it started selling in 2018. The U.S. Consumer Product Safety Commission found that the touchscreen on the Peloton Tread could fall off, potentially injuring the user. The company fixed the problem, and the machine was soon back on the market. But on the higher-end Tread+, the risks were more serious. In an April 2021 warning, after a 6-year-old was killed by a machine, the CPSC wrote that the Tread+ posed "serious risks to children for abrasions, fractures, and death." The safety regulator eventually reported 72 injuries to people and pets. Peloton called the bulletin "inaccurate and misleading" and insisted there was no reason for anyone to stop using the Tread+ as long as they followed directions and kept kids and animals away from it. But the following month it agreed to a recall.

By the beginning of 2022, all the scrambling and expenditures and rust-covering had seemingly paid off. Peloton was finally making enough bikes to meet pandemic-era demand. The only problem was that pandemic-era demand was now gone. In January, CNBC reported that the company had such a glut of inventory it was pausing bike and treadmill manufacturing for several weeks. In a note on the company website, Foley denied the report but conceded that Peloton was "right-sizing our production."

Peloton was still growing; it just wasn't the wild growth Foley had aimed for. If he hadn't spent the previous two years chasing the dream that the pandemic represented the company's trillion-dollar future—if he hadn't spent hundreds of millions of dollars on marketing, built half a factory, and hired thousands of people who now are being fired—Peloton would probably look like a success story.

Instead, in the quarter ended September 2021, the company lost \$376 million. It lost \$439 million over the next three months. Along with the layoffs, Peloton is abandoning its Ohio expansion ("The Ohio factory and Precor acquisitions were huge mistakes," the former executive now says). Equally worrisome: Existing members don't seem to be getting on their bike as often as they were during the lockdowns. The average number of workouts for each Peloton subscriber peaked in early 2021 and has been dropping steadily ever since.

"There's more talent in the building than I expected," says Barry McCarthy, the new CEO. It's a compliment, sort of, paid to Peloton's remaining employees if not their accomplishments. "Execution challenges have of course been disappointing." McCarthy makes clear that he believes the scramble to keep up with pandemic demand hurt the company. Among other things, it took the focus away from the product itself and on how to make it better.

Speaking by Zoom from Peloton's Manhattan headquarters, McCarthy, who was chief financial officer of Netflix and then of Spotify Technology SA, says he's a longtime user himself. Then he describes "an opportunity to quickly refocus people on a process of experimentation and learning that will restore a sense of momentum and progress." The plan follows a well-worn Silicon Valley playbook. McCarthy talks about making lots of small bets and failing fast, about A/B testing to see what consumers actually want.

New products are coming, of course. There's the Guide, for lifting weights in front of your TV, and a rowing machine. The company also continues to work with regulators to get the Tread+ reapproved. All those devices will be necessary to compete in an increasingly crowded landscape of connected fitness contraptions, including new brands, like Mirror and Tonal, and older ones, like NordicTrack and Bowflex. Another competitor, Zwift Inc., doesn't bother to build machines at all. It caters to serious cyclists who provide their own training bikes.

The bring-your-own-bike model holds evident appeal for McCarthy, who's less interested in the physical machines than in his company's content. "The magic happens in the tablet," he says. He muses that perhaps the Peloton screen should be an open platform where third-party programmers can place apps. Or maybe the company could try the ink-jet printer business model, offering machines for cheap and making money through higher monthly subscription fees. At the moment, you can ride your bike even if you're not paying for classes. McCarthy plans to experiment with making those payments mandatory.

In all of this, McCarthy says he'll let the data be his instructor. It's a familiar narrative: Startup founder gives way to the bean counters and market researchers. Peloton, more than perhaps any other company, trades on charisma—of its instructors, of its corporate leadership, of its hardcore users cheerfully touting the brand. But even cults need accountants.

Peloton says it's not for sale, but anytime a company's stock price drops as much as its has, takeover rumors are inevitable. And McCarthy's proposed strategy of juicing subscriber numbers, outsourcing manufacturing, and opening up the software platform could make the company appealing to a cash-rich tech giant. Apple Inc. has been mentioned as a possible acquirer, but the company already has its own fitness features and content. Amazon, on the other hand, is always looking to add more material to Amazon Prime, and Peloton's classes could also make it tempting to Netflix or Walt Disney Co. Nike Inc. might see the company as a way to reenter the market for digital hardware.

How long McCarthy will remain at Peloton is unclear. "You know, I kind of think in three- or four-year increments," he says. "I'm 68 now, and part of the answer would depend on how I'm managing my health and stamina." The CEO is pacing himself, in other words, and he thinks the company should, too. Ⓑ —*With Kristen V. Brown*

WHAT HAPPENED AT THE STABLES

When show jumping became the latest Olympic sport to be plagued by revelations that young female athletes had been sexually abused by respected older men, some equestrians fought back—against the organization set up to stop the problem

By Olivia Carville Illustration by Ard Su

“I feel like people are looking at me,” Maggie Kehring whispers to her mother as they walk across a dirt track at Desert International Horse Park in Thermal, Calif. The braided manes of the show horses, the chic white breeches of the riders, and the sweaty glasses of flavored iced tea belie the tension in the air. It’s early November, and Kehring, a 19-year-old equestrian who’s represented the U.S. in international competition, is making her first appearance at a West Coast show since the arrest of her coach, Rich Fellers, five months earlier. She’d accused Fellers, a former Olympic rider, of sexual abuse, claiming he groomed her into a relationship while she was training at his show jumping stable near Portland, Ore.

Kehring’s mother, Carrie, tries to assure her daughter that no one is looking, but she sees the side-eyed glances, too. Most people in the U.S. equestrian community remember where they were when Fellers and his chestnut stallion, Flexible, won the 2012 World Cup finals in the Netherlands. The U.S. had endured a quarter-century drought at the competition, and Flexible was regarded as too fiery for anyone else to ride. Kehring was 9 years old at the time, watching mesmerized at her home in Woodside, Calif. Two years later, she was in the stands in Sacramento when Fellers won a World Cup qualifier. Fans lined up to get his autograph, and Kehring remembers thinking: “That’s who I need to ride with to get to the top of the sport.”

Soon she was riding a horse bought from Fellers’s stable by her father, an executive at Oracle Corp. By 15, she was living on her own in a small apartment near Fellers’s barn, training daily, sharing meals with his family, and traveling to horse shows as a rising star on the U.S. junior circuit. That was her world until December 2019, when she got a call from Fellers, who was then 60. She was 16. He told her he was falling in love with her. “You’re not a little girl anymore, Maggie,” she remembers him saying. “I’m crazy about you.” She was too shocked to speak. She’d never even had a boyfriend. “I put the phone down and was filled with fear,” she says. “I knew I couldn’t leave that barn. He was supposed to be the one to help me get to the Olympics.”

“This is a very insular, almost snobbish community. And it does not like to watch its heroes fall”

Over the next few months, Kehring says, Fellers told her that she was like a goddess to him, that he’d never been in love like this before. During dinners with his wife and children, she recalls, he would sit beside her and place his hand on her thigh under the table. She started noticing that changes to their itinerary for shows left them spending more time alone together while traveling. The first time he kissed her, she says, she felt as though it was happening *to* her, rather than with her. Just after her 17th birthday, they had sex. Kehring started to feel as though she, too, was falling in love.

Everything ended in June 2020, at a horse show in Michigan, when Fellers’s wife, Shelley, caught them together while they were all sharing an Airbnb. Kehring locked herself in her bedroom. “You kissed my husband! How could you?” she remembers Shelley yelling at her through the door. She was told she had to leave Fellers’s stable immediately. “I cried nonstop that whole week,” Kehring says. Carrie flew in to support her daughter, winding up in screaming arguments with Fellers that others at the horse show could hear.

Word eventually got around that Kehring and her four horses hadn’t returned to Fellers’s stable. She posted videos of herself sobbing on TikTok, along with photos of her and Fellers. The public nature of the events led more than a dozen people to report Fellers to the U.S. Center for SafeSport, an independent entity established by Congress in 2017 to investigate allegations of sexual misconduct in Olympic sports and levy sanctions based on its findings. Created in response to revelations that athletes had been sexually abused for decades by USA Gymnastics doctor Larry Nassar, the center can look into harassment, abuse, and any sexual relationship between a coach and a student under the age of 20. But it couldn’t take action in Kehring’s case without her consent, and she didn’t trust SafeSport.

In recent years, SafeSport has banned some of the U.S.’s top horsemen for sexual misconduct. The decisions have torn the rich and powerful equestrian community apart, with many people choosing to stand by their heroes and challenging the center’s processes. They accuse SafeSport of conducting witch hunts and labeling coaches guilty until proven innocent.

Through the end of 2021, 47 of the 1,275 sanctions the center had handed down and publicized on its disciplinary database had been against members of the U.S. Equestrian Federation. By comparison, members of the U.S. Tennis Association, which is eight times as big, have received 35 SafeSport sanctions. Hall of Fame equestrians have seen their names removed from trophies and stadiums, their livelihoods lost. In response, their supporters have started petitions that have garnered thousands of signatures, raised millions to lobby Congress to limit the center’s power, and filed a lawsuit (since dismissed) against the federation saying that SafeSport hadn’t given accused parties the chance to defend themselves before they were stripped of membership.

Other Olympic communities have criticized SafeSport, but none is as riven with conflict as equestrians. Talk to people in show jumping, and it quickly becomes clear how deep the antagonisms run. There’s outrage at SafeSport rulings, and outrage at the outrage. Everyone agrees that children need to be protected, but they don’t agree on how SafeSport is going about it. Some praise the center for highlighting sexual misconduct in the sport, which they say has a sordid history of protecting abusers; others think it’s being weaponized.

PHOTOGRAPH BY MOLLY PETERS FOR BLOOMBERG BUSINESSWEEK

Carrie and Maggie Kehring
in Thermal, Calif.

Kehring had internalized the criticisms. She recalls Fellers talking to her about SafeSport and saying it “doesn’t teach you what to do if you catch feelings for your students.” When things ended between them, she ignored the center’s calls and spiraled into depression. “I remember looking out the window of a hotel, looking at the concrete below me, thinking, ‘I understand why people kill themselves now,’” she says.

It took her six months to come to terms with what had happened—and to conclude that she’d been coerced into a sexual relationship even after saying no multiple times. Only then could she return SafeSport’s calls. The center acted immediately, temporarily suspending Fellers and adding him to its public sanctions list. SafeSport also referred the accusations against him to police in Oregon, where the age of consent is 18, and last June he was arrested on four counts of second-degree sexual abuse. Fellers pleaded not guilty, and a trial date is expected to be set in April. After the arrest, SafeSport banned him for life from competitive equestrian sports; he didn’t seek arbitration. He declined to comment for this story, saying in a text message: “I trust you can understand my situation.” His lawyers didn’t respond to phone calls and messages.

After Fellers was suspended, Kehring became the latest flashpoint in the fight over SafeSport. On social media she was accused of seducing him to further her career and called a spoiled brat. “If you want to train and ride at a higher level, put your big girl panties on,” one woman wrote to her on Facebook. Another likened Kehring to an accuser from the Salem witch trials.

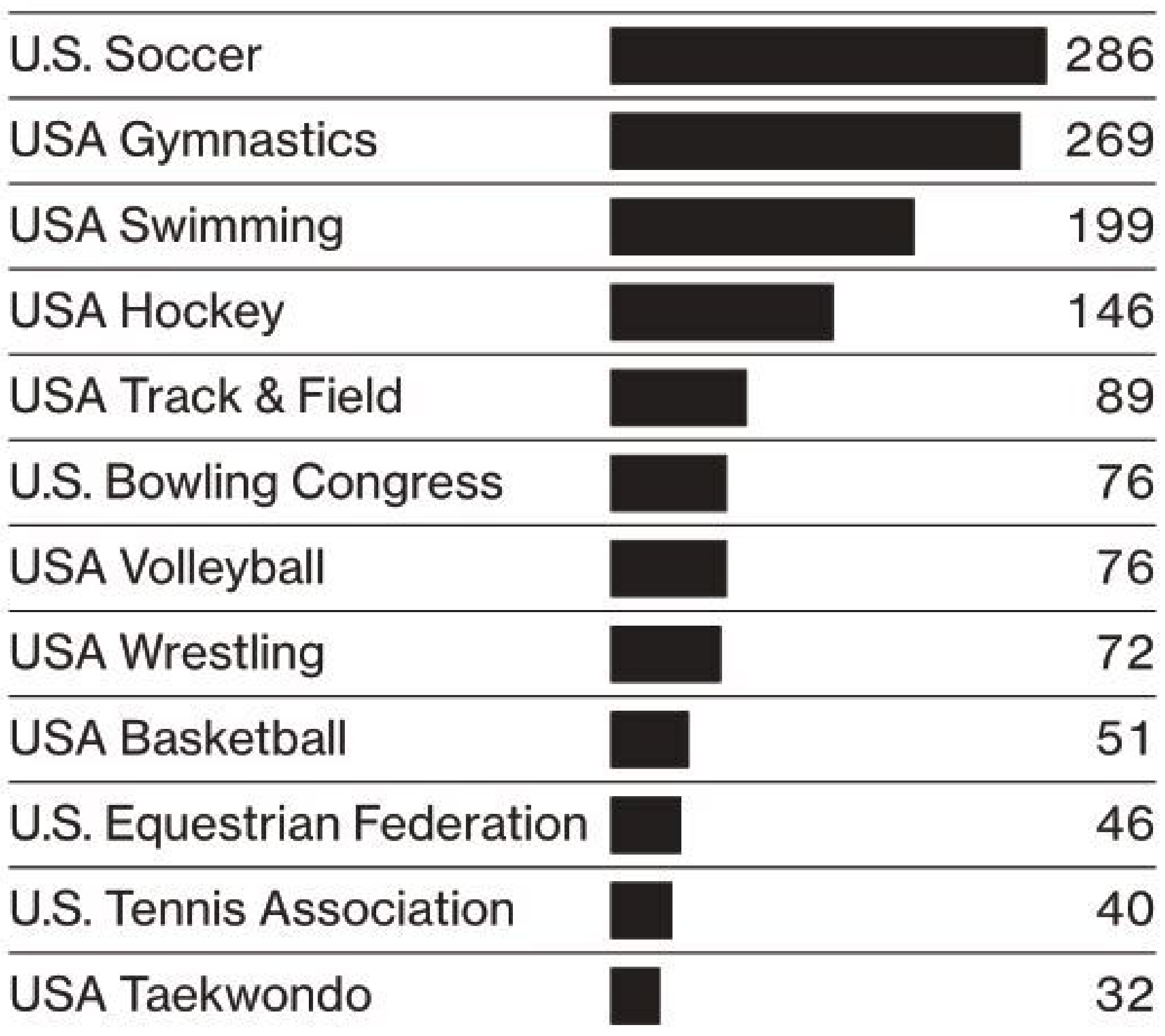
Kehring says she doesn’t understand where the hate comes from or why some in the community don’t believe her. She’s recalling the onslaught while sitting in her riding breeches at a ranch near the show grounds in Thermal, horses grazing in a paddock behind her. She isn’t riding in the show, still too nervous to compete there. Two years earlier she’d won ribbons at the event with Fellers by her side.

Everyone at the show seems to know someone who’s dealt with SafeSport. The wife of a recently banned trainer is there, as is his accuser. A former Olympian temporarily suspended and then removed from the disciplinary list is there alongside a rider whose case was rejected for lack of evidence.

“Is that the one that slept with Rich Fellers?” someone asks outside a show jumping ring where Kehring’s younger sister is competing. Kehring’s mother, admiring a rider clearing 5-foot fences, gasps. “Oh, God, that’s Chris Fellers,” she says, identifying him as Fellers’s son. Kehring does her best to avoid confrontation with anyone, but when she bumps into one of Fellers’s clients in a soap shop, a woman who’d kept her horses at his stable even after the ban, she ends up in a screaming match about SafeSport.

The response from some in the equestrian community in support of a suspected perpetrator reminds Mike Reck, a lawyer who’s represented sexual abuse survivors in SafeSport cases, of how the Catholic Church responded to its abuse scandal 20 years ago. “This is a very insular, almost snobbish community,” Reck says. “And it does not like to watch its heroes fall.”

The American equestrian industry encompasses more than 2,000 annual horse shows. Many offer multimillion-dollar prize pools and are sponsored by the likes of Rolex, Veuve Clicquot, and Hermès. Top barns operate like a traveling circus, moving riders, grooms, and animals from show to show. With prohibitively high expenses for horses, stabling, training, travel, and equipment—the price of a bespoke saddle alone can run as high as $8,000—it’s frequently the children of billionaires, rock stars, and royalty who collect the prize ribbons. ▶



Disciplinary sanctions issued by SafeSport, as of October 2021

The equestrian federation has 85,000 members, fewer than the other sporting associations listed

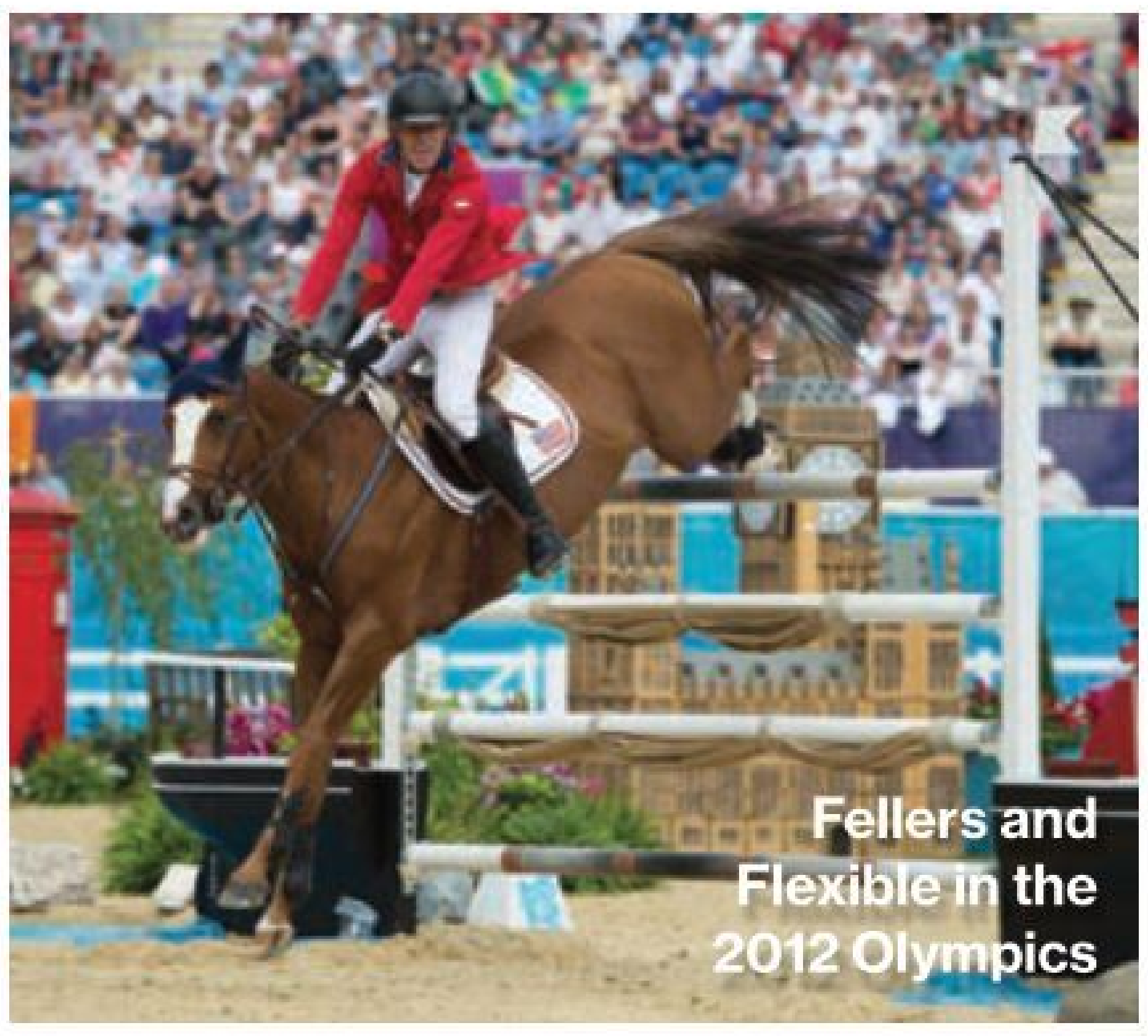
DATA: SAFESPORT

◀ The families of Bill Gates, Steve Jobs, Bruce Springsteen, and Michael Bloomberg, whose daughters are among the top show jumpers in the U.S., own riding estates near Wellington, Fla., home to the country's most prestigious winter show. (Bloomberg is the founder and majority owner of Bloomberg LP, which owns *Bloomberg Businessweek*.)

The equestrian community was long accustomed to operating with little oversight save for strict rules about animal cruelty, and many members built successful businesses based on that understanding. Trainers don't need licenses and can clear hefty commissions on handshake deals for fabulously expensive show horses. They also frequently put students to work in exchange for free lessons. The absence of formal oversight extends to elite junior riders, most of whom are girls. Parents sometimes send their teenage daughters to horse shows all but unsupervised, with a credit card and a 1,200-pound animal. Young riders also often attend school remotely, and some live on the property of their trainers, who at the top level are typically men. Trainers control everything from which horses riders use to which shows they compete in, and they can also influence the politics surrounding national team selections. The unfettered access to young athletes and extreme power differential can lay the foundation for predatory behavior.

Before SafeSport, inappropriate relationships between young riders and their older, often married trainers were a well-known secret. "This was a normalized state of affairs," says Carley Sparks, editor-in-chief of the news site *Horse Network*. When Sparks was 19, she says, two of her friends confided in her that they'd had sexual relationships with their trainers when they were 16. "My response at the time was, 'That's messed up.' Not like, 'We need to report this to the police.' This was just something we gossiped about at horse shows," she says.

For decades, sexual misconduct complaints were sent to each Olympic sport's national governing body, which in turn reported to the U.S. Olympic & Paralympic Committee. This system sometimes led to cover-ups of allegations against prominent figures. The Olympic establishment had an incentive to keep these cases quiet, because publicity could lead to fewer medals and jeopardize its only funding source: sponsorships. But with the revelations, starting in 2016, that Nassar had molested more than 150 gymnasts—for which he was ultimately sentenced to 175 years in prison—the status quo was no longer an option.



Fellers and Flexible in the 2012 Olympics

With trust in the Olympic committee at a crisis point, Congress passed the Safe Sport Authorization Act in 2017. The law was designed to regain that trust, designating SafeSport as the watchdog authority for amateur athletes and giving it the power to write its own rules. The center soon opened its doors in a no-frills office building in Denver, with $2.5 million in annual funding, six employees, and 300 reports of sexual misconduct to assess.

SafeSport's mission was to end abuse in sports. The center was given sole jurisdiction over sexual misconduct allegations in sports and the discretion to take over any complaint about physical or emotional misconduct. It vowed to protect victims' identities by not releasing any details about their allegations and offered a path to justice outside the courts, regardless of when the alleged abuse occurred. To achieve those aims, SafeSport decided it wouldn't be bound by a statute of limitations and adopted rules similar to those established under Title IX, a section of a 1972 law designed to curtail gender discrimination at colleges. It incorporated a preponderance-of-evidence standard, which weighs whether something is more likely true than not, rather than the standard for the criminal justice system, in which prosecutors must prove guilt beyond a reasonable doubt to secure a conviction.

Once a complaint is filed, SafeSport interviews witnesses and gathers evidence, then sends the case file to a legal team and a review committee, which determine if a violation has occurred and whether disciplinary action is necessary. The center has the power to issue written warnings, put coaches on probation, suspend them from their jobs, or ban them for life. In cases where it deems the safety of young athletes to be immediately at risk, it temporarily bans alleged violators and lists them on its public disciplinary database before the investigation is complete, reasoning that protecting potential victims is more important than the risk of a wrongful accusation. Individuals in other cases are sent information about the allegations against them and interviewed by investigators. If sanctioned, they're informed by email at the same time their name is added to the public database. Those who want to challenge a ruling have 10 days to seek an arbitration hearing before an independent judge and must pay $5,200 to do so.

SafeSport has also created rules to counter sexual, physical, and emotional abuse in all 50 U.S. Olympic and Paralympic sporting organizations and among their 13 million members. Everyone over the age of 18 who works with youth must now take annual online training courses. They're also no longer allowed to be alone with students or to send them private text messages, and they've all been deemed mandatory reporters, legally obligating them to

FELLERS: HARRY E. WALKER/MCT/SIPA USA. RIDLAND: PHOTOGRAPH BY MOLLY PETERS FOR BLOOMBERG BUSINESSWEEK

report incidents involving sexual misconduct with minors.

These new rules didn't sit well with some in the U.S. Equestrian Federation, which had never required its members to take any form of training or dictated how they run their stables. The organization's president, Tom O'Mara, says it supports SafeSport, but he's aware that many members don't. "Equestrians are passionate," O'Mara says. "People don't like regulation or regulatory authorities, period."

For a while, backlash against SafeSport from the equestrian community was restricted to grumbling about the training courses and jokes about who would appear next on the "naughty list." That changed in June 2019 with the death of Rob Gage, a show judge and three-time Grand Prix champion.

Earlier that year, SafeSport had banned Gage for life over accusations dating to the mid-1980s, when he was in his 30s and working as an assistant trainer at the Seahorse Riding Club in Rolling Hills Estates, Calif. The woman who made the complaint, who asked not to be identified to protect her safety, says she told the center that Gage had sexually abused her and four of her friends who rode at the club when they were 14 and 15.

Ridland

Two of the other riders, Monique Hansen and a second woman who requested anonymity, say SafeSport contacted them and they verified the account. All three remember telling the center that Gage befriended their parents and got their permission to escort the girls to horse shows. When they arrived at their hotel, he would request rooms with interconnecting doors and encourage them to have threesomes with him or give him oral sex. Gage told them there's a protein in sperm that helps cure teen acne, the women say. He gave some of them necklaces with the initials "SG," for Secret Girlfriend. "He said we would get married when I was 18 and have kids and a barn and ride in the Olympics together," Hansen recalls. "He said we would be this super equestrian couple, and I fell for it."

Hillary Ridland, who trained with Gage at a different stable in the early '80s, says she believes she was one of his first victims. She remembers being 13 the first time Gage raped her. Her parents had given him permission to take her to a horse show, and the night before the competition he asked her to come to his hotel room to watch television. "He didn't wear a condom," she says. "I hadn't even hit puberty yet."

Ridland, who's now a Grand Prix champion and married to the head coach of the U.S. Olympic show jumping team, says she remembers being impressed by the thoroughness of SafeSport's investigation and adds that she regrets not calling Gage to urge him to take responsibility for what he'd done. Instead, when SafeSport banned Gage, he denied the allegations and sought arbitration. The day before his scheduled hearing, he killed himself in his stable.

The news broke while Ridland was hosting a horse show in California. "Everybody was talking about it," she recalls. The absence of public information about the accusations led to speculation, some of which found its way back to Ridland. People were saying Gage's ban was based on a single consensual relationship with a student, 40 years earlier. "Our company was producing this show, and I was trying to get through my day, and I'm dealing with the fact that somebody had just killed themselves because I spoke up," she says. "I felt like I needed to let people ask me questions."

Ridland wrote a post on Facebook, identifying herself as one of Gage's victims. She said she'd be willing to discuss the case in the VIP tent later that week. Five of the women who'd come forward, including Hansen and Ridland's sister, joined her. "It was hard for people to hear," Ridland says. Some cried. "A lot of people loved and cared for Rob and appreciated what he gave to the horse industry."

Gage's death splintered the community. Those who hadn't believed he deserved to be banned voiced their anger online and in calls to SafeSport. Some said the center and the women who'd reported him had blood on their hands. The woman who made the initial complaint says she found out Gage had died when she received a text that read, "Hope you are happy."

The week after Gage's death, Ju'Riese Colón was appointed chief executive officer of SafeSport. She'd spent her career working in child safety, most of it at the National Center for Missing & Exploited Children. Never, Colón says, before starting at SafeSport, had she encountered so much animosity. She remembers receiving a call in her first weeks from a mother who was angry that her daughter's riding coach had been banned for sexual misconduct and wanted him reinstated.

"I found it mind-blowing," Colón says. "You have a mother who I'm sure loves her daughter very much and wants nothing but the best for her child, but at the same time was willing to put her child at risk with someone who shouldn't have been around kids, who had done some pretty terrible things, because she wanted her child to win." She soon learned how complex these issues could be in elite sporting communities, where they're shaped by a drive to be the best and to win at all costs. There's also money at stake. Relocating horses out of a stable shut down by a SafeSport violation is expensive, and ▶

a trainer's tarnished reputation can depress the horses' value.

Even after experiencing the backlash that followed Gage's death, Colón was unprepared for the outright revolt that came a month later, when SafeSport issued a lifetime ban against George Morris. A longtime trainer and a silver medalist at the 1960 Olympics in Rome, Morris is widely considered the most influential man in the sport. His sexual proclivities are also renowned—in his 2016 autobiography, *Unrelenting*, he boasts of having had casual sex with 10,000 partners "and counting" and writes that he frequented Manhattan bars that "catered to younger, available men and their admirers of a more advanced age." At 81, Morris was being suspended for allegations of sexual misconduct involving two teenagers in the early '70s.

Within 48 hours of Morris's ban, a Facebook group called "I Stand With George" had swelled to 4,200 members. Angry emails flooded SafeSport's inbox, demanding his reinstatement. He sought arbitration, but the ban was upheld. One of the alleged victims, Jonathan Soresi, then filed a civil lawsuit against Morris, claiming the trainer had offered him the chance to ride prized horses in exchange for sex when he was a minor. On social media and in online forums, Morris's supporters have tried to discredit Soresi, who was also banned by SafeSport because of a 2007 criminal conviction for possessing child pornography. A spokesperson for Kasowitz Benson Torres, the law firm representing Morris, says he "denies that he engaged in any improper conduct."

In the wake of Morris's ban, Diane Carney, a show judge and longtime friend who once donated $10,000 to establish a trophy in his honor, reached out to influential equestrians to help her challenge SafeSport. The organization they created, Athletes for Equity in Sport, started in October 2019, with Carney as president. The equestrians also founded an organization to provide free advice and mental health support to those navigating SafeSport proceedings. Its president is Susie Schoellkopf, owner of a horse that's a four-time winner of the George H. Morris Perpetual Trophy, the prize endowed by Carney. (It's no longer awarded.) Carney's group has raised more than $2.5 million and hired a team of lobbyists, who've held more than two dozen meetings with members of Congress and their staff. "We are citizens and sports people who understand that accusation is not conviction," Carney says. "The abuse and weaponizing of the SafeSport process is a major topic. People are tired of having their rights taken away."

Much of the criticism from equestrians concerns the secretive nature of SafeSport's procedures and whether it should grant the same protections as the criminal justice system. Accused individuals and their lawyers argue that everyone who's being investigated should have the opportunity to privately defend against allegations before a sanction is made public. Even some lawyers who've represented accusers say they're concerned SafeSport is overreaching.

"We've got cases that are 40 years old, with single complainants making accusations that are impossible to prove, and people are getting permanently banned," says Russell Prince, a lawyer who's represented Kehring as well as people accused in SafeSport cases. "Were we doing enough before? No. But I think we are overcorrecting our course to a degree that's become laughable." A few critics have pointed out that schools have been successfully sued over Title IX, the model for many of SafeSport's practices, with millions of dollars awarded to plaintiffs who said they were treated unfairly, including being denied due process.

Although SafeSport's decisions don't have legal force, its critics say that the financial and reputational consequences of a ban can be worse than a criminal conviction. "I've had countless clients who would have easily chosen jail over the stain of being found to have committed a SafeSport violation," says attorney Paul Greene, who's represented respondents in SafeSport hearings.

On the other side of the debate are equestrians such as children's book author and longtime rider Kimberly Brubaker Bradley, who supports the center. Bradley called out Carney's close relationship with Morris, writing in a blog post: "He's guilty, Diane. And you look like an enabler supporting a pedophile." (Carney says: "That is a most unfortunate perspective on AES and its mission. It is as inaccurate as it is misguided.")

Another SafeSport supporter is Carrie Kehring, Maggie's mother. She's defended the center on podcasts, tried to dispel myths about its investigative process in blog posts, and raised $400,000 for We Ride Together, a campaign she started to support athletes who've survived sexual abuse. "When Maggie came forward, all the hate was just absurd," Carrie says. "She was a junior in high school, and if it had been her math teacher, no one would have even questioned if he should be allowed to teach again."

The campaign features video testimonials from survivors who tell their stories and encourage others to break their silence. Some of the videos have resulted in SafeSport sanctions, which in turn have prompted accusations that the campaign is being weaponized, much like SafeSport. In one clip, a rider named Kendall Bourgeois accused an unnamed

Colón

PHOTOGRAPH BY ELI IMADALI FOR BLOOMBERG BUSINESSWEEK

ex-trainer of sexual misconduct about a decade earlier, when she was 16. The trainer was Jeff Campf, a prominent Oregon equestrian who runs a stable 5 miles down the road from Fellers's and who already had a SafeSport case open against him. Within weeks of the video's release, the center had temporarily suspended Campf. Bourgeois, who has a show jumping stable in Oregon herself, is now on the board of We Ride Together. She and Campf's wife were at the show in Thermal in November, studiously avoiding each other. Campf and his wife didn't respond to requests for comment.

"What I'd love to see this community be angry about is what happened… and that nobody ever stood up and said, 'This is wrong'"

Three other trainers in Thermal—Nicole Norris, Lisé Quintero Gregory, and Rachel Fields, who trains Maggie Kehring's sister—say they've struggled with the questions raised by SafeSport's rules forbidding them from being alone with a student and requiring them to report inappropriate behavior. Are they legally obliged to report things they don't have evidence of? What happens if someone makes a wrongful accusation against them or their husbands?

"Do I think SafeSport needs to exist? Absolutely," Fields says. "The question is how it exists and how it's run, because right now this is the judge, jury, and executioner." Athletes from other sports, including taekwondo, figure skating, and gymnastics, have criticized SafeSport from the other side: for taking too long to investigate cases, requiring too much evidence from victims, and being too close to the Olympic establishment.

Colón traces the tension between the center and the various athletic communities to a lack of information about what SafeSport is, how it conducts investigations, and how it makes decisions. She says that its investigators include retired FBI, Naval Criminal Investigative Service, and sex-crimes detectives, and that they average 15 years of experience. She adds that the system is thorough, that accused parties are granted due process, and that fears about witch hunts are unfounded. "What I'd love to see this community be angry about," she says, "is what happened, that it happened for so long and went unnoticed, and that nobody ever stood up and said, 'This is wrong.'"

SafeSport now receives hundreds of reports a month for all Olympic sports and has a staff of 30 investigators and an annual budget of $20 million, eight times the figure when it began. Of the more than 1,200 sanctions it handed out through the end of last year, only 75 individuals have requested arbitration, and only 25 of those cases resulted in a decision being modified or reversed. Colón says the center is working to increase transparency by holding public sessions and providing information in social media kits and monthly newsletters. She also met with Diane Carney's group to hear their complaints in December. A spokesman for SafeSport says the conversation was "nonproductive."

Carney declined to comment on the meeting, but behind the scenes her group's lobbying efforts have led to increased pressure on SafeSport. In January 2021, Congress created a commission to investigate whether the reforms sparked by the gymnastics scandal have been working. It was supposed to complete a review in 270 days, but a year on, it has yet to even be funded. A spokesperson for Republican Senator Jerry Moran of Kansas, who helped create the commission, says that's because Congress hasn't approved a final appropriations bill for 2022. But a person close to the matter who asked not to be named discussing confidential negotiations says there's another reason for the delay: Members of Congress are fighting over whether the commission should get the money it needs to investigate SafeSport.

DiAnn Langer, the U.S. Equestrian Federation's head coach for youth show jumping, understands why some continue to defend horsemen who've been accused of sexual misconduct. Olympic-level trainers are held up as godlike figures because "they are few and far between," she says. Langer has spoken publicly herself about being raped at the age of 13 by a trainer whom she's declined to name, but she's friends with people on both sides of the fight. "When a few of our big heroes went down, it was loud and it was furious," she says. "No one could believe it. They were big heroes, and that's hard for an industry."

Another influential equestrian, Anne Kursinski, the equestrian federation's head coach of show jumping development and a two-time Olympic silver medalist, feels the same internal conflict. She says she was raped at the age of 11 by her trainer, Jimmy Williams, who died in 1993, before allegations about him became public. "The effect that it has on the rest of your life and the people around you, it's awful," Kursinski says. "I grew up with the shame and guilt and secrets and hiding."

A few years before Williams died, Kursinski confronted him at his barn in California as part of her recovery process. "I said: 'Why did you have sex with me when I was 11? Why did you do that?'" she recalls. "He went round in circles until, finally, he said: 'I'm sorry, I never meant to hurt you.'"

After leaving Williams's stable, Kursinski trained with Morris, who helped her reach the Olympic podium. "I'm very thankful for everything I learned from Jimmy and George," she says. "I get what they did for the sport, and I don't want to take away the horsemanship. They were geniuses, like Michael Jackson was a genius. But he also had a problem." Ⓑ *—With Parker Purifoy*

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From top: Van Cleef & Arpels Cygne Ballerina brooch with sapphire, emerald, tsavorite, garnet, and diamond; Taffin ring with 5.79-carat Colombian emerald with green garnet and Charleston ceramic; Cartier art deco bracelet with lapis lazuli, turquoise, and diamond, circa 1935; vintage Bulgari paisley earclips with emerald, ruby, and diamond

How to Build a Jewelry Portfolio

As an asset class, luxury baubles have never been hotter. Here's what you need to know to get in on the gem game*

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Photographs by Joanna McClure

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Chris Rovzar

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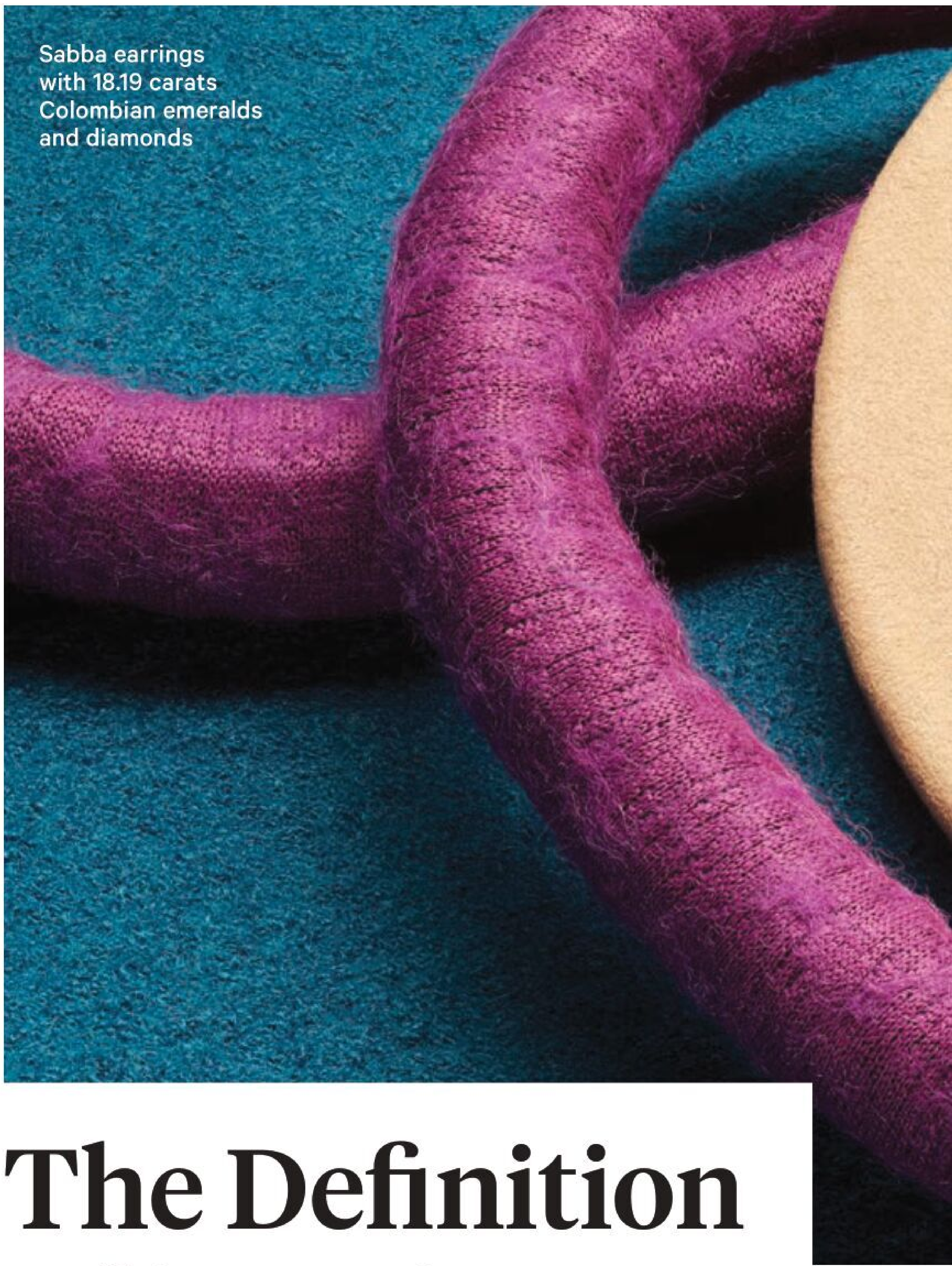


Sabba earrings
with 18.19 carats
Colombian emeralds
and diamonds

The Definition Of ‘Rare’

Jewelry collecting has been a diversion for hundreds of years. J.P. Morgan was a well-known gem collector during his lifetime—Tiffany & Co. even named a newly discovered stone, morganite, in his honor. Indian maharajahs displayed their wealth in opulent jewelry suites featuring hundreds, if not thousands, of carats. Visit any museum in Europe, and you’ll find a dazzling parade of royal crown jewels that kings and queens collected.

Because nothing holds value quite like rare, precious jewels, collecting them can be a rather sound investment. Price makes little difference: In 2003 a Belperron amethyst cuff sold for $28,680; in 2021 that same cuff went for $87,500. In 2012 a 6.7-carat Kashmir sapphire auctioned for $206,500; last year a similarly sized one was bought for $550,000.

Unlike when buying stocks or crypto, you can actually wear and enjoy these assets, so the adage to buy what you love applies here. “I liken managing a collection of jewelry to managing a portfolio of stocks,” says Tiina Smith, a vintage dealer in Boston, who spent years working on Wall Street before changing careers and opening a boutique. “It requires rigorous analysis, making sure you know what you’re about to buy, trying to buy the best in class.”

As with stocks, education is the way to begin. There are many excellent books on the jewelry market, but start with *Understanding Jewellery*, the industry bible by two former Sotheby’s jewelry executives, David Bennett and Daniela Mascetti. You can also learn by taking online courses, visiting museum exhibitions, or attending previews at auction houses.

Once you’ve trained your eye and have a grasp of the different eras, houses, and designs, a great next step is to think about what you truly love. Many people will focus collections around their passions, whether colored gemstones, diamonds, or a period such as art deco or the 1960s. Others choose to diversify—as in an index fund, for instance—and mix from various eras to withstand the volatility of trends.

In terms of distinguishing price from value, connections in the industry are key, whether it’s fellow collectors, specialists at auction houses, an independent adviser, or a vintage dealer. These relationships are also crucial for moderation: It can be easy to get swept up emotionally, so it’s always good to have a knowledgeable second opinion. “A lot of people benefit from the kind of advice and the calmness of somebody who has seen and evaluated a lot of pieces of jewelry,” Smith says. “Someone who knows about what price you should be paying.”

Lastly, patience pays off. Sensational pieces don’t come around often, and jewelry takes time to increase in value—so fast flipping doesn’t really work. “Collecting is a process,” says Fiona Druckenmiller, founder of FD Gallery in New York. “Finding the right pieces and the right stones can take time.”

Even if a bauble doesn’t increase dramatically in value or falls slightly with inflation, a well-made piece from a top designer is a fantastic way to store value. Worst-case scenario? You have a stunning piece to enjoy throughout the years.

Here’s advice from top dealers and collectors on how to build your collection.

Russell Fogarty, former head of Christie’s jewelry department in New York and partner of estate jewelry company Kazanjian & Fogarty, has a simple checklist to determine whether a piece is investment-worthy. It should be vintage, high quality, in good condition, beautiful, and signed by the manufacturer. “If you check all those boxes,” he says, “whatever you’ve purchased is going to increase in value over time.”

Vintage is the most important part of that checklist, because it means that the supply is finite, yet demand continues to grow. Think of it this way: Vintage jewelry is defined as 20 to 100 years old. (Anything older is antique.) Many top houses changed ownership throughout the years, causing the quality of designs and craftsmanship to vary. After all, Tiffany was once owned by the cosmetics company Avon.

You’ll want to choose something from a house’s best period—say, from 1920 to 1930 for some designers. That means you have only 10 years’ worth of pieces to collect as opposed to 80 years.

If you’re acquiring contemporary jewelry with an eye on investment, rarity is crucial. Today many jewelers produce a piece in large quantities, which over time will prove

PREVIOUS PAGE: AVAILABLE AT VAN CLEEF & ARPELS, TAFFIN, FD GALLERY. THIS SPREAD: AVAILABLE AT FD GALLERY, PHILLIPS, BAYCO

less valuable than a one of a kind or something from a limited series.

Signed pieces, which bear the stamp of the jeweler, command higher prices than unsigned—about 25% to 30%, according to Smith—but unsigned ones can still be worth adding to your collection. (An unsigned vintage diamond riviera necklace will be just as beautiful as a signed one, and you can acquire it at a lower price.)

Another factor to consider is provenance, particularly when a notable person owned a piece—it's the same for a watch owned by Paul Newman or a car driven by Steve McQueen. Celebrity ownership of jewelry is a less reliable predictor of value, however. The premiums that were paid for at the Christie's auction of Elizabeth Taylor's collections—a Bulgari emerald and diamond brooch estimated at around $600,000 sold for more than $6 million—will not hold. "It's still going to sell at a premium compared to a Bulgari piece that a regular citizen owns," Druckenmiller says, "but it's not going to go 10 times. It might go two times."

But jewelry that's been in the collection of royalty will very likely hold or rise in value. "Any jewel with a royal provenance is going to command a giant premium," Druckenmiller says. "In the cases of royalty, that premium usually never evaporates."

When clients find a piece they love, Fogarty counsels them to examine it thoroughly, checking that the back is as beautiful as the front—a hallmark of incredible craftsmanship.

The Stones To Own

Diamonds reign supreme as investments, followed by the "Big Three": emeralds, rubies, and sapphires. The highest price ever paid for a Zambian emerald—$1.04 million—was in December.

To find a perfect gemstone of any kind is really rare, which is why the industry developed methods to improve the color of substandard stones so it could increase the number available on the market. Thus the most sought-after and priciest are untreated specimens—meaning no processes such as heat or oil have been used to improve the color or appearance—but even the best jewelry houses use lightly treated ones.

For colored stones especially, where they came from matters. A D color, internally flawless, Type IIa diamond will command top prices wherever it's from, but sourcing can dramatically influence the price of others.

The most coveted ruby, for example, is a "pigeon's

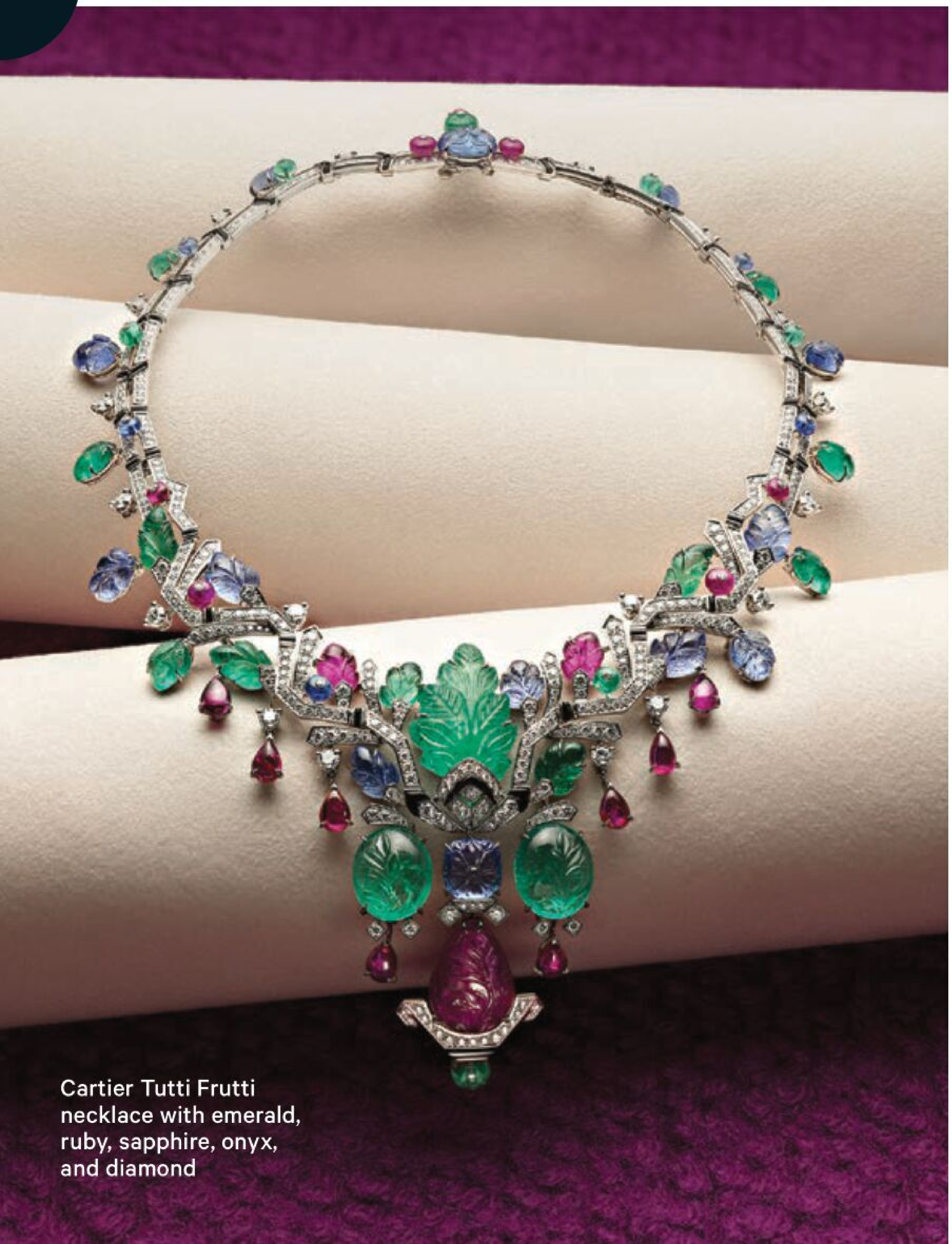
A diamond and the "Big Three," clockwise from top: 17.62-carat D color, VVS1, Type IIa, emerald-cut diamond from Phillips; Bayco ring with 6.85-carat unenhanced Old Mine Colombian emerald with 1.30 carats diamond; 7.03-carat untreated Kashmir sapphire ring with approximately 4.5 carats diamond from Phillips; Bayco the "Mogok Splendor" ring with 7.18-carat unheated pigeon's blood Burmese ruby and 11.17 carats diamond blood" Burmese ruby, which has a pure red color without any purple or brown. Last November a pair of pigeon's blood Burmese ruby earrings sold for almost $3.2 million at Christie's.

Among emeralds, the most desired are Colombian; for sapphires, it's those that have been mined from Kashmir. Why these? Kashmir sapphires are renowned for their "velvety color," says Sara Thomeier, senior vice president and head of jewels for the Americas at Phillips Auctioneers LLC. "It can be almost hypnotizing to look at them." A Kashmir sapphire could be worth many hundred times the value of one from another geographical region. "Visually, to a layperson, they might look the same," Thomeier says. "But one would be $5,000, and the other would be $500,000."

Significant gemstones should be accompanied by recent certificates of authenticity, which dealers provide, from independent laboratories. Druckenmiller notes that certificates should be recent: A stone could have been damaged if it had been worn frequently since it was last inspected. Plus, technology in these labs has also improved, so in some cases, a stone's origin can be more accurately assessed.

Sellers are taking no chances: An upcoming sale at Phillips features a Kashmir sapphire ring accompanied by appendix letters from not one but three independent labs, attesting to its rarity.

When it comes to diamonds, records are being set every year for fancy-colored diamonds, which are more rare than colorless ones. Fancy-colored diamonds come in many hues, but pink and blue are the most coveted. In 2007 one sold at Sotheby's Hong Kong for $1.3 million per carat; in 2015, another sold for over $4 million a carat. In April, Sotheby's is auctioning off the De Beers Cullinan Blue Diamond, a 15.1-carat fancy vivid blue diamond that's estimated to go for more than $48 million.



Cartier Tutti Frutti necklace with emerald, ruby, sapphire, onyx, and diamond

Where Design Matters

Most historic houses are strong investments—think of Belperron, Oscar Heyman, David Webb, Verdura, and Harry Winston—but at auction, three names stand above the rest: Bulgari, Cartier, and Van Cleef & Arpels. These names come up repeatedly less because of the stones and more because of distinctive designs, impeccable craftsmanship, and one-of-a-kind status.

Each has its own golden era. For Bulgari, these would be the La Dolce Vita period in the 1960s, when pieces were exploding with color and smooth cabochon gemstones. Its Monete collection, which features ancient Roman coins set in yellow gold, are in huge demand.

Van Cleef & Arpels is noted for its art deco period as well as its '60s and '70s pieces. Outside of that, the Zip necklace, created in 1950, was inspired by the then-relatively new type of fastener. Its ballerina pins and thematic high-jewelry collections are also sought after—recent examples include those inspired by the story of Romeo and Juliet, in which emeralds and tsavorites cascade from a brooch that is shaped to look like the Verona balcony under which the star-crossed lovers meet.

Cartier's art deco pieces from the 1920s and '30s are among the most iconic from the house, including the legendary Tutti Frutti, which was created after Jacques Cartier traveled to India in the early 1900s and discovered the tradition of carving gemstones. Tutti Fruttis featured leaves and berries in emerald, ruby, and sapphire.

It's impossible to make more vintage jewelry, so these are cases in which "the iconic designs transcend the intrinsic values of the jewels," says Frank Everett, sales director for jewelry at Sotheby's.

In 2011, Sotheby's sold a Tutti Frutti bracelet for $842,500; in April 2020 one went for $1.3 million, despite the house having to host online-only auctions because of the pandemic. It didn't matter. "The market knew what it was and didn't need to see it in person," Everett says. "The bracelets are that rare and come to auction seldom. We previously had not sold anything of that value online to a buyer, site unseen." It had been estimated go for $600,000 to $800,000.

THIS SPREAD: AVAILABLE AT CARTIER, FD GALLERY, TAFFIN

From left: Hemmerle ring with 25.84-carat Ceylon sapphire; Taffin necklace with 22.85-carat brown diamond and Zircon ceramic; Taffin ring with 7.05-carat fancy vivid yellow diamond and Platin Grey ceramic; Bhagat earclips with Colombian emerald and diamond

But even the hot pieces of today aren't guaranteed to stay hot forever. Take Bulgari Monete jewelry. A few years ago, "nobody wanted them," says Angelina Chen, senior vice president and specialist at Christie's. "It wasn't cool. But in the last two years they've seen a revival, and you can't get enough of them." It's possible the Tutti Frutti bubble will pop in a few years as collectors move on to more attainable pieces.

In addition to the big names, smaller makers such as David Webb have been collected for decades. Although they likely won't drastically increase in value, all have their own hallmarks, which make them a solid investment.

The New Guard

You don't need to look only to the vintage market or auction houses to find investment-worthy jewelry. Many exquisite designers are working today whose pieces are already commanding high prices and have avid collectors. The three names at the top of everyone's list of the best contemporary brands are JAR, or Joel Arthur Rosenthal; Hemmerle; and Taffin.

Here again, they are defined by rarity and craftsmanship. JAR is a Paris-based jeweler who makes fewer than 40 pieces a year. "It's almost like a cult," Thomeier says. Collectors "sit in the auction room, and they don't put their hand down. They just don't care what it costs."

Smith agrees. "I have a pair of JAR earrings that I bought about six years ago. I imagine that if I sold them now, I could probably sell them for 7 or 8 times what I paid for them. He has a scarce body of work, like a painter who only painted 300 paintings in his lifetime."

Hemmerle, a fourth-generation German company, is coveted for its recognizable aesthetic featuring reverse-set gemstones and the use of unexpected materials, such as aluminum, bronze, and copper. Its pieces are also one-of-a-kind. Everett notes that "they're unmistakable, and they command huge prices."

Taffin, a New York City jewelry house from French designer James de Givenchy, is known for sculptural jewelry that pairs top gemstones with unusual materials such as rubber, wood, and ceramic. "Everything he does is a work of art," Fogarty says.

But there are dozens of incredible jewelry makers working today. Some collectors love houses with significant and important gemstones set in ultracontemporary designs, like Bhagat, Boghossian, and Sabba. Others, such as Neha Dani, are known for the use of titanium with precious stones.

Cindy Chao's exceptional feather brooches from her Black Label Masterpiece collections are set with staggering amounts of gemstones and diamonds. Feng.J, Glenn Spiro, Emmanuel Tarpin, and others craft pieces that are more like wearable art than jewelry.

When it comes to acquiring pieces from newer designers who don't have a proven track record at auction, Chen says you have to trust yourself and your eye. She likens acquiring an early piece from a designer such as JAR to someone who snapped up a Basquiat for next to nothing. They saw potential, and it paid off—but it doesn't always.

If a piece is one-of-a-kind, features top-quality gemstones, and has beautiful craftsmanship, though, you're off to a great start.

The V-6 Roars Again At Ferrari

At a test drive in Seville, Spain, the 296 GTB hits all the right notes

By Hannah Elliott Photographs by Raul Pilato

On the Monteblanco track

Ferrari's 296 GTB is not, as some have suggested, the new Dino. But you could be forgiven for thinking this curvaceous coupe is a modern-day incarnation. The 296 GTB is powered by a V-6, just like the stylish mid-engine icons that Enzo Ferrari produced from 1957 to 1976 and named after his son. The 75-year-old brand hasn't made a V-6 engine since—until now, with the 296 GTB.

The Dino, though, never sported the official "Ferrari" badge. Because it lacked the power and craftsmanship of the V-12 cars Ferrari was making then, it was positioned instead as the gateway car into the world of "real" Ferraris.

The rear-wheel-drive 296 GTB is anything but entry-level, as I found recently while driving through the olive-treed hills outside Seville, Spain. With an engine that goes from zero to 62 mph in 2.9 seconds, a top speed of more than 205 mph, and 819 total horsepower, the 296 GTB is faster around Ferrari's test track in Fiorino than even the $1.5 million LaFerrari electric supercar, according to the company. And, with a starting price of $318,000, it's a bit more approachable than the LaFerrari's wallet-emptying seven-figure sum.

The 296 GTB uses plug-in hybrid electric power, with four drive modes that balance how much energy the car uses. Its name comes from its total engine displacement (2.9) and number of cylinders, plus Ferrari's traditional Gran Turismo Berlinetta moniker for touring sports cars.

So yes, Ferrari is throwing a lot of new ideas into its latest prancing pony, including some questionable design cues—rectangular taillights, for one—but the 296 GTB also offers elegant, hyperquick drivability that will utterly charm those with the means to actually buy one.

It excelled everywhere I drove it, whether on the track or off. During a number of hot laps in Qualifying and Performance modes on the 2-mile-long Monteblanco track, the 296 GTB felt more sublimely smooth and ethereal than anything I've recently tested—and that includes a Maserati MC20 and Lamborghini Huracán. At 3,241 pounds, the 296 GTB is lighter (the engine alone saves 66 pounds compared with a V-8) and more compact overall than any previous Berlinetta.

And it's dialed in to near-mystic precision. Ferrari's trademark "brake-by-wire" system gave off none of the harsh grating and biting often found in sports cars that need to stop hard and often. Its electric power steering and active LaFerrari-inspired rear spoiler kept it balanced and grounded as I tried my best to keep up with the pro driver piloting the car ahead of me.

Whipping around decreasing radius curves had the car dancing so lightly through its eight gears that I expected it to step out on me, fishtailing and understeering its way off course. But its Michelin tires stayed superglued to the ground.

My takeaway after hitting upwards of 164 mph on the back stretch at Monteblanco was that you don't need a professional racing license to sample this car's performance abilities, but the ease and elegance of its engineering also pushed me to drive better, cleaner, and smoother. I wanted to be a driver worthy of that glorious, unmistakable engine note that roared louder the faster I drove.

Then I took to the streets, where I toggled between its Hybrid and electric-only modes. The single-lane roads that curve through old logging and hunting land in the nearby countryside proved even more revealing about the benefits and challenges of the 296 GTB.

Crawling behind a herd of goats walking a pockmarked asphalt surface probably wasn't what the Ferrari brass had in mind when they dictated the circuit I drove. But I was glad for it. Other Ferraris are so stiff and low and brittle (the splitters hit the ground and crack) that low speeds and uneven surfaces are downright painful to the psyche and the body. The 296 GTB, however, felt comfortable, even accommodating to the task.

Its supportive, ergonomic seats complemented a chassis primed to be more forgiving than cars meant solely for the track. The front splitter easily cleared multiple divots and dips in the road. And hey, the goats were really cute.

Turning the car around was a different matter, though. It lacks a tight turning radius, and the thick-as-tree-trunks flying buttresses positioned just over each shoulder create considerable blind spots. Electric-only driving lasted just 16 miles, but the car emitted a simple beep to alert me as it switched easily back over to Hybrid.

The author (above) behind the wheel of the 296 GTB in Seville

I'm happy to say the head- and legroom inside proved friendly to my 6-foot-tall-in-boots frame. And the front trunk is large enough to maybe even hold two hard carry-on cases, a practical coup for sports cars of this caliber.

The dashboard in the cabin was less delightful. As in the mid-front-engine Roma, Ferrari has replaced dials and buttons with tiny touchscreens on the steering wheel to adjust everything from the side mirrors to climate to navigation. While it made for a tidy dash, it was confusing, distracting, and unfulfilling. To my mind, it cheapens the feel of the interior altogether.

Some things remain tactile, operated by dials—but it took several minutes to locate the volume and radio station rollers, which are hidden, maddeningly, at an odd spot on the back of the steering wheel.

Blocky, Corvette-esque taillights and the car's single round exhaust puzzled me, too. I missed the traditional design found on models ranging from the Testarossa to the Roma.

And then there's the swooping, opaque glass engine bay cover, which from some less fortunate angles looks—depending on how charitable you're feeling—like either a gaping black hole or the sensor cover on an old TV remote.

Of course, when I was behind the wheel, none of that mattered. I couldn't see any of it anyway.

And I couldn't have cared less that the 296 GTB had six cylinders like that now highly collectible Dino. What a difference 50 years makes. If this is the kind of performance a Ferrari V-6 means, count me in. Ⓑ

Test Case

The food from Fukushima has been deemed safe for consumption. But is the name still radioactive? *By Matthew Kronsberg*

A small group of chefs, restaurateurs, and retailers was invited to the Japan Society in New York City last month for a special tasting event. Sitting at well-spaced tables, they watched a demonstration on making soba noodles and heard a short talk on tenugui, or traditional printed cloths.

Each table setting had four small cups of sake and, among other goodies, a bento box with nigiri sushi—one somewhat unorthodox piece had a strip of seared A5 wagyu on top of the rice. The sake, rice, and beef had a notable distinction: They were from Japan's Fukushima prefecture.

This month marks the 11th anniversary of the earthquake and tsunami that killed almost 16,000 people and caused the meltdowns at the Fukushima Daiichi nuclear power plant. Afterward, exports of food and drink from there and surrounding prefectures were halted or severely curtailed.

A spread featuring Fukushima delicacies at a Japan Society event in February

Last September, the U.S. Food and Drug Administration cleared the way for many products from the region, chief among them rice, to reenter the U.S. market. The announcement noted an extensive analysis of Japan's control measures and reviewed 10 years' worth of results to determine there's a "very low risk to American consumers from radioactive contaminated foods." At the dinner, Masao Uchibori, governor of Fukushima prefecture, and Yutaka Arai, vice minister for international affairs for Japan's Ministry of Agriculture, Forestry and Fisheries—the event's host—celebrated the new trade opportunities via video.

Naoko Munakata, senior staff of the Trade Promotion Division of the Fukushima Prefectural Government, acknowledged that the import restrictions had put the area in a "difficult situation." To get those lifted and enhance export prospects, she said, "it is important to deliver more information about the attractiveness of our products and rehabilitate the image of Fukushima from reputational damage."

Some products are further along the path to image restoration. The sakes, in particular, are a point of pride. Fukushima's breweries, whose sakes are typified by a subtle sweetness compared with those from other regions, have taken the most gold prizes in the Annual Japan Sake Awards eight years in a row.

Importers to the U.S. are starting small, at least in terms of volume. Mitsuwa Marketplace, a Japanese grocery store chain, is taking delivery of 800 kilograms—just under 1,800 pounds—of Koshihikari rice from Yamatsuri. It will be for sale in 11 stores in New Jersey and California. An additional 430kg of rice from the mountainous Aizu region of Fukushima was sent to Japanese grocer Maruichi in Stamford, Conn., and Brookline, Mass. Last fall, Japanese barbecue chain Yakiniku Futago featured A5 wagyu from the region in its New York location.

The rollout's deliberate pace makes sense to Libba Letton, president of food and beverage public relations for the Austin-based Hahn Agency. "I worked for Whole Foods when this happened," she says of the 2011 disaster, "and you can imagine Whole Foods customers. They were demanding that I personally guarantee that no fish they were going to eat was going to come from Fukushima."

More than a decade later, Letton thinks the average consumer is unlikely to remember much. In fact, talking up governmental safety standards, however stringent, may defeat the purpose and simply remind people that it happened in the first place.

This is doubly true in the current environment, where the same set of facts leads certain segments of the public to opposing conclusions. "When you have people who are arguing against vaccines," Letton says, "you're not going to have people who are reasonable about radiation."

Bon Yagi, owner of 10 New York restaurants and bars, such as the downtown favorite Sake Bar Decibel, attended the event. He says the sakes are customer favorites—the biggest obstacle to getting them now is run-of-the-mill supply chain issues—and plans to feature the rice in his dishes.

He trusts the testing—but also his sense of taste. The flavor of the rice, Yagi says, "reminded me of when I was a kid in Japan. It was wonderful."

COURTESY MINISTRY OF AGRICULTURE, FORESTRY AND FISHERIES OF JAPAN

A Flick of the Wrist

The Whoop 4.0 is smaller and slimmer, so you can be more productive. *By Naureen Malik*
Photography by Sarah Anne Ward

Fitness wearables have been around for only 20 years, but the market is filled with so many Fitbits, Garmins, and others, it can feel as if they've never left us alone. Whoop, founded by former Harvard squash captain Will Ahmed a decade ago, packs a lot into its unassuming device—readings of your heart rate, respiratory rate, and sleep patterns—to diagnose strain and help you rebound faster. Its new 4.0 sensor, which is free with a $30 monthly subscription, is a third smaller than the last version but adds blood oxygen and skin temperature measurements.

THE COMPETITION

- The Oura Ring Generation 3 ($299 with a $6 monthly subscription) is worn on the forefinger. It tracks heart rate, blood oxygen, and temperature to determine your activity level and sleep quality, signaling when you need to take more time to rest and recover.
- Vívosmart 4 ($130) leverages Garmin's technology at a lower price. The tiny screen allows you to do workouts designed to keep your effort level within a certain heart rate range without pulling out your phone. It also includes a "Body Battery" that shows when to pump up the intensity or conserve energy.
- Charge 5 ($180) might just be the mightiest Fitbit tracker yet, with heart health cues such as oxygen saturation and your stress management score built in. A narrow screen tracks metrics in real time.

THE CASE

For the Whoop, it's all about the data. On most days all you need to do is open the health monitor app and make sure all five metrics—respiratory rate, oxygen level, resting heart rate, heart rate variability, and skin temperature—are green. The strain score, which ranges from zero to 21, will, as you train over time, illustrate your progress. But in my tests, the most useful measure was seeing how sleep and stress are related. I brought the Whoop on a trip to hike a volcano in Guatemala, but two days after pulling an all-nighter, taking my hectic international flights, then pulling nearly another all-nighter, it became painfully clear that my 3 a.m. climb was a very bad idea. My resting heart rate was 24 beats per minute higher than normal, and my respiratory rate was above my typical range. The data helped me override my tendency to push myself beyond my capabilities—I decided to go only halfway up. *$30 per month; whoop.com*

A New Lease on Life for Relics of the Cold War

By Alex Webb

ILLUSTRATION BY GEORGE WYLESOL

Russia's invasion of Ukraine has been widely called the "First TikTok War" because of the flood of videos from the front lines, or at least purporting to be. But the fire hose of war content–often of unclear provenance–on social media has made it harder than ever to know what's credible. A video might be the work of Russian or indeed Ukrainian propagandists or even come from a teen in Tennessee looking to make a quick buck with recycled viral content. "We have to double-check everything," Iliya Semenov, a 25-year-old web designer in Kyiv told me as Russian troops sought to encircle the city.

The vast quantities of misinformation have brought renewed relevance to a family of state-owned news organizations that date to the dawn of the Cold War. The BBC World Service had a Russian-language station from 1946 to 2011, but it continues to employ scores of journalists who report for its Russian- and Ukrainian-language websites and has relaunched its shortwave service to the region. The U.S.-backed Radio Svoboda (a sister station of Radio Free Europe), which introduced Russian and Ukrainian broadcasts in the 1950s, has built a sizable presence on local social media.

While other global players such as Radio France Internationale and the Voice of America also aim programming at the region in local languages, the BBC and Svoboda have been quicker to adapt to the times. The two broadcasters' Ukrainian services post regular updates to Telegram, an encrypted messaging app where Semenov says he gets most of his news. Their followings are comparable to those of Ukrainian channels such as ZN.ua and Censor.net. Visitors to the BBC's Russian website tripled, to a record 10.7 million, in the first week of the invasion. And the broadcaster has now made the same content available on TOR, a browser that circumvents Russian censors who've blocked access to the site on the public internet.

The stations can take these steps because they don't answer to shareholders in the same ways that most news organizations do. While they all receive government funding, leaving them open to criticism of being propaganda mouthpieces, even at the height of the Cold War the likes of Czech dissident-turned-president Vaclav Havel sang their praises as beacons of truth in a sea of lies. Lately, it's become fashionable for lawmakers in Washington and London to question the purpose of international broadcasting, and their budgets have suffered accordingly. As Russia introduces laws that could give journalists 15-year jail terms for any story deemed "fake"–spurring the BBC, Radio Svoboda, and many other outlets (including Bloomberg News) to pause their reporting from inside the country while continuing coverage from abroad–it's becoming clear just how important the public broadcasters can be, even all these decades after their founding. Ⓑ *—Webb is a correspondent for Bloomberg QuickTake*

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